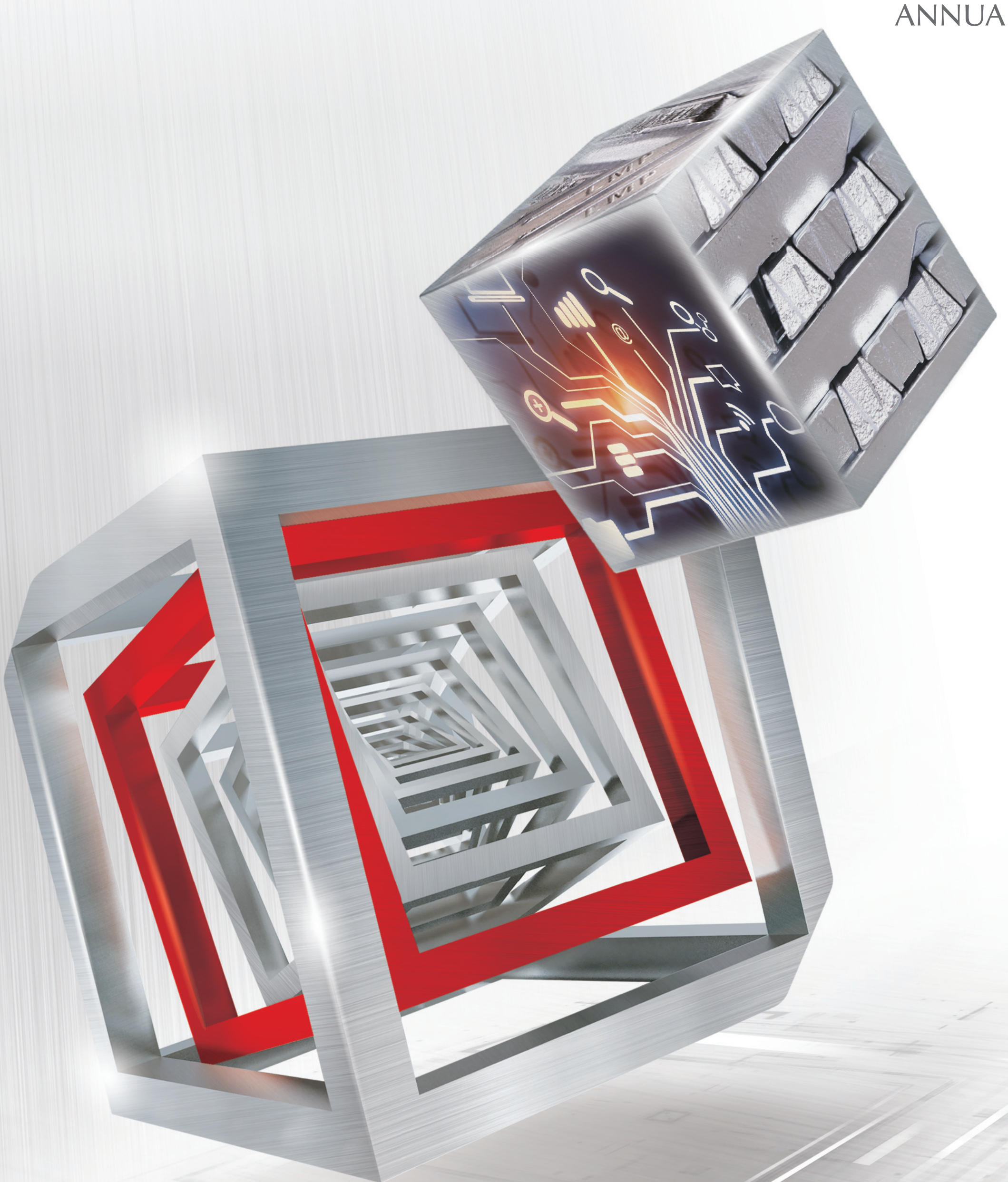
利記控股有限公司
LEE KEE HOLDINGS LIMITED

SINCE 1947

(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

2021/22
ANNUAL REPORT 年報



We Create
VALUE SOLUTIONS
BEYOND Metals
引領金屬發展 共創**增值方案**

We Create

Value Solutions

BEYOND Metals

Continue to capture opportunities from a faster and greener transition, with innovation and sustainability.

Contents

Corporate Information

DIRECTORS

Executive Directors

CHAN Pak Chung *(Chairman of the Board)*
CHAN Yuen Shan Clara
(Vice Chairman of the Board and CEO)
CHAN Ka Chun Patrick
OKUSAKO CHAN Pui Shan Lillian

Independent Non-executive Directors

CHUNG Wai Kwok Jimmy
HO Kwai Ching Mark
TAI Lun Paul

AUDIT COMMITTEE

CHUNG Wai Kwok Jimmy
(Chairman of the Audit Committee)
HO Kwai Ching Mark
TAI Lun Paul

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
TAI Lun Paul

COMPANY SECRETARY

LEE King On

AUTHORISED REPRESENTATIVES

CHAN Yuen Shan Clara
LEE King On

REGISTERED OFFICE

P.O. Box 309, Ugland House,
Grand Cayman, KY1-1104, 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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court
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 ADVISERS TO THE COMPANY

As to Hong Kong Law:
Kwok Yih & Chan
Suite 1501, 15th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

As to Cayman Islands Law:
Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
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 31.03.2022)

利記控股有限公司
LEE KEE HOLDINGS LIMITED
(Cayman Islands)

利記集團有限公司
LEE KEE GROUP LIMITED
(HK)

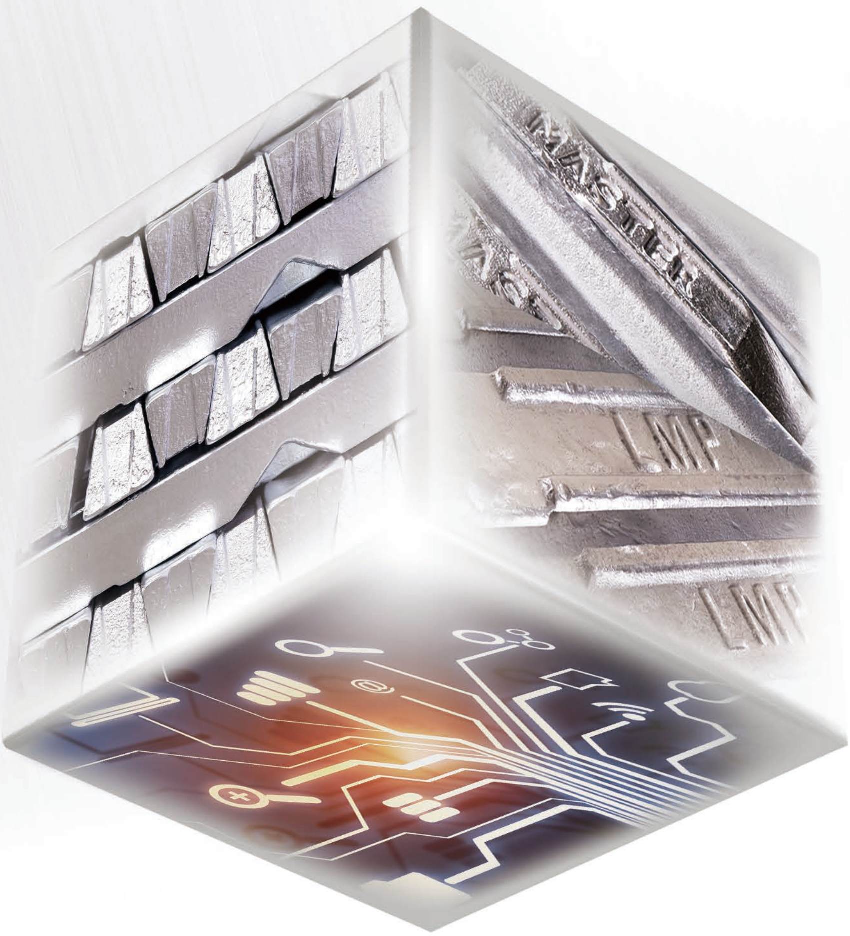
- Lee Kee Metal Company Limited (HK)
- Lee Fung Metal Company Limited (HK)
- Lee Kee International Limited (HK)
- Lee Yip Metal Products Company Limited (HK)
- Promet Metals Testing Laboratory Limited (HK)
- Essence Metal (Asia) Company Limited (HK)
- Toba Company Limited (HK)
- Standard Glory Management Limited (HK)
- Lee City Asia Company Limited (HK)
- Promet Consultancy Company Limited (HK)
- Silver Goal International Limited (HK)
- LKG Elite (Shenzhen) Company Limited (PRC)
- LKG Elite (Guangzhou) Company Limited (PRC)
- LKG Elite (Wuxi) Company Limited (PRC)
- Genesis Alloys (Ningbo) Limited (PRC)
- Mega International Resources Company Limited Taiwan Branch (Taiwan)
- LKG (Singapore) Private Limited (Singapore)
    - LKG (Malaysia) Sdn Bhd (Malaysia) *
- Lee Kee Development (Thailand) Limited (Thailand)
- Lee Kee Store Company Limited (Formerly "Horizon Commodities and Futures Company Limited")# (HK)

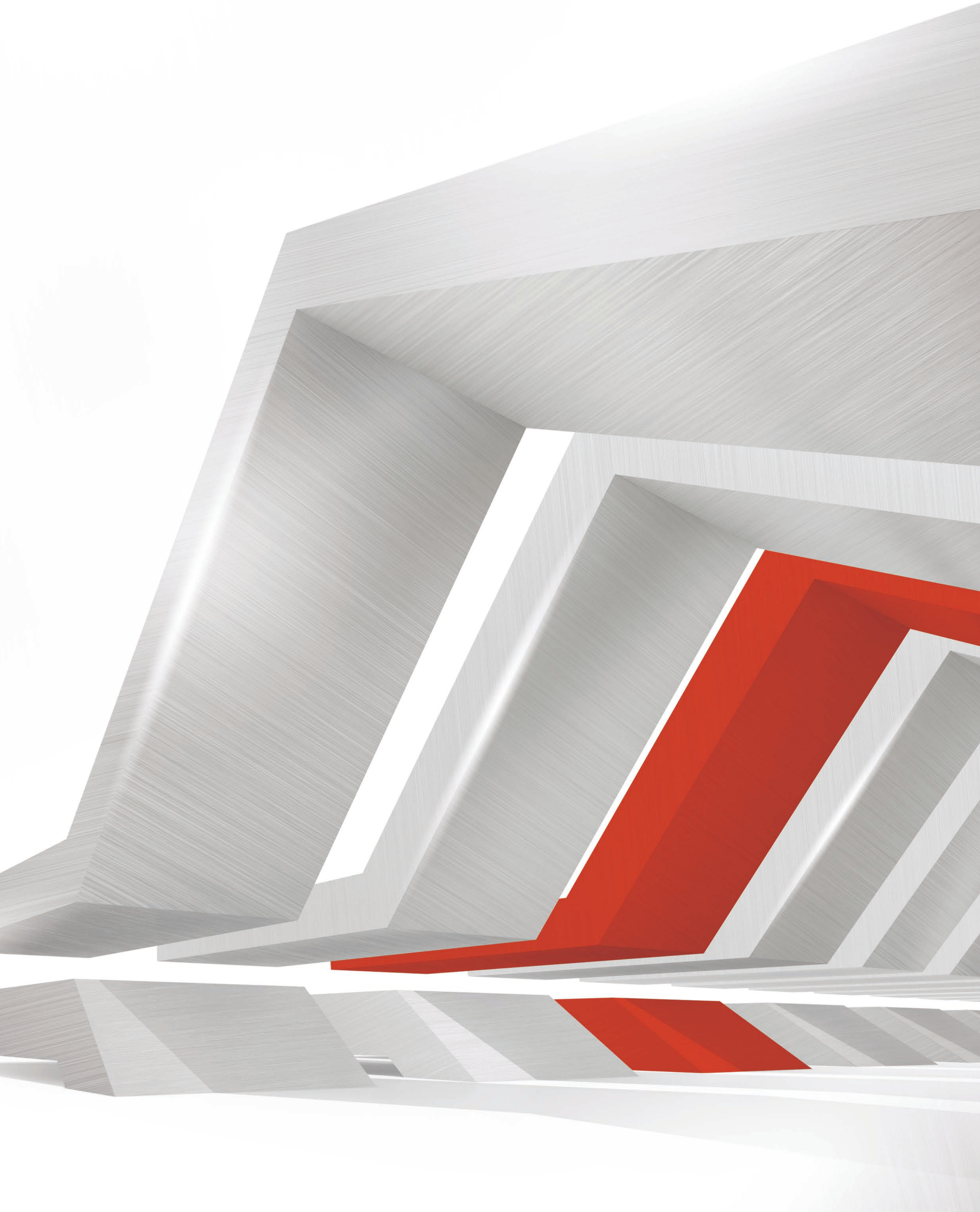
* 75% owned

\# name changed with effect from 19 May 2022

75 YEARS OF EXCELLENCE

We overcome challenges and embrace extension, while uphold our commitments. We create value solutions beyond metals, bringing innovation, optimization and added value to the industry.





Chairman's Statement

CHAN Pak Chung
Chairman

Dear Stakeholders,

The 2021–22 financial year was another challenging year during which LEE KEE Holdings Limited (the "Company") and its subsidiaries (collectively "LEE KEE" or the "Group" or "we") faced a fast-changing environment with lingering supply chain disruption and rising costs. Thanks to the dedication of our staff, we managed to convert these challenges into opportunities for our group.

While the gradual reopening of markets globally has led to increased demand from the export market, other parts of the supply chain were continually impacted by bottlenecks and temporary lockdowns from the pandemic. Despite the obstacles, LEE KEE continued to drive corporate development and manage its business based on our principles of sustainable development, innovation and corporate excellence. We further enhanced our operational flexibility to adapt to ever-changing market environments. Our strong support for customers in navigating temporary disruption enables LEE KEE to maintain similar tonnage sold. At the same time, we continued to comply with local governments' pandemic control initiatives across the Asia regions and implement COVID-19 safe measures for our staff and customers.

Lee Kee's business proposition is based on our mission "We Create Value Solutions Beyond Metals". By thinking big, we empower our human capital into new technologies and consultancy, areas such as quality testing for water, metals and construction materials. We are also committed to our core values: Serve our stakeholders with integrity; Committed to compliance; Synergies harnessed between teams, and Achieve success with inclusion. These core values enable us to achieve sustainable performance.

Chairman's Statement

As many customers around the world are starting to hold supply chains and sourcing accountable to the zeitgeist of contemporary green trends, Lee Kee believes it is a crucial time for manufacturers to readjust and readapt their supply chains and sourcing practices. Our ESG commitments continued to serve us well in capturing opportunities from a faster and greener transition in the PRC and across Asia.

Lee Kee is recognised by multiple international green governing boards, which help set us apart from our peers. Our corporate DNA not only provides value to our customers, but also supports our industry's transition towards a greener economy.

We are cautiously optimistic in the near term as inflationary pressures may mute consumer confidence and dampen economic growth prospects. Nevertheless, we are confident in our long-term prospects as our transition towards a greener supply chain will undoubtedly drive rising demand for our metal solutions and testing services.

Leveraging our growth momentum, we are confident that we can overcome external challenges and deliver sustainable value to our shareholders.

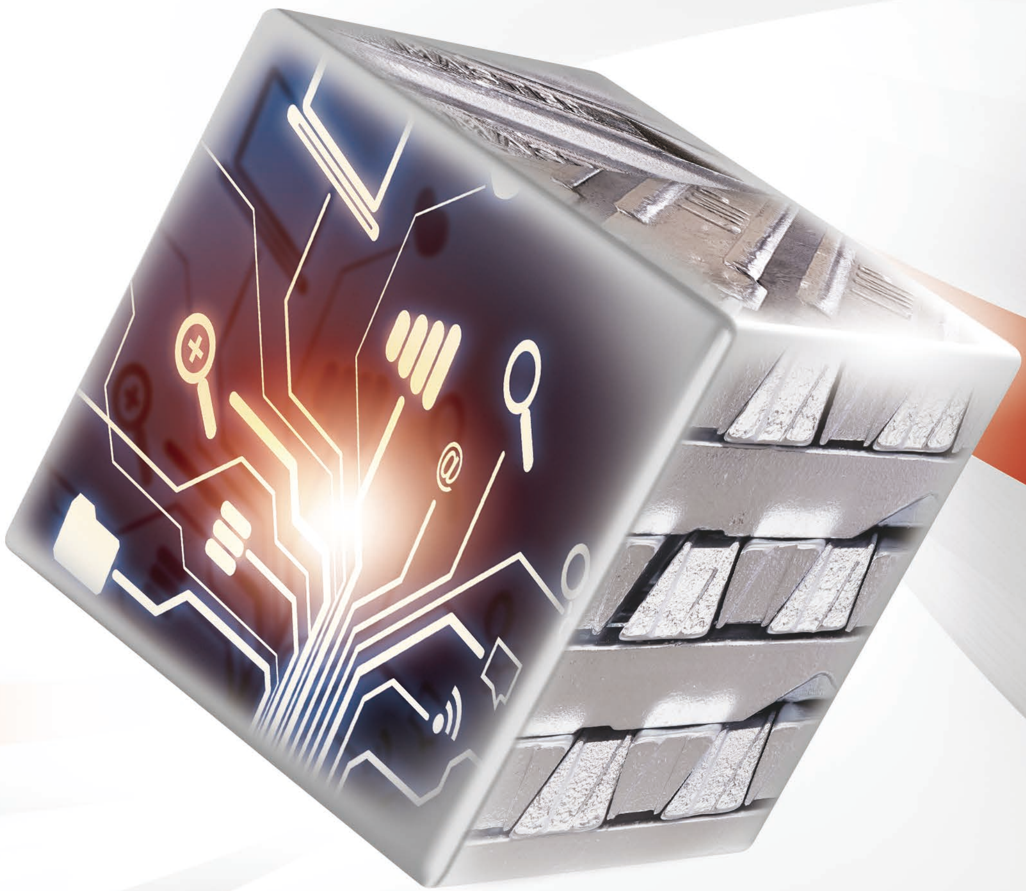
This year marks the 75th anniversary of Lee Kee Group. I would like to express my sincere gratitude to our valued customers, suppliers, business partners, and LEE KEE's employees and management team for their support during these challenging times and over the past few years. Building on our firm foundation, we will forge ahead to create a bright future with our stakeholders.

CHAN Pak Chung
Chairman

27th May 2022

EXCEL IN SUSTAINABLE ADVANCED MANUFACTURING

Drive excellent corporate culture governance, advance digital transformation journey and green supply chain. Achieving long-term prospects, together we build a better world.



CEO Message

CHAN Yuen Shan Clara
Vice-Chairman and
Chief Executive Officer

The fast-changing operating environment has persisted throughout the 2021/2022 financial year (the “Financial Year”). Sporadic pandemic outbreaks, lockdowns and ongoing disruptions to the global supply chain adversely impacted the end production in many sectors. Our business units responded swiftly to mitigate supply chain disruptions and overcome logistics challenges, benefiting from our unique corporate culture that emphasizes agility, integrity, and accountability.

Our geographically diverse presence and extensive business experience spanning Greater China and Southeast Asia further enabled our company to mitigate the impacts of localized lockdowns while flexibly capturing business from rerouted orders. Our total dedication and responsiveness also helped our customers manage demand fluctuation amid supply chain challenges. As a result of these proactive efforts, the Group maintained a similar level of tonnage sold during the Financial Year compared with the previous year.

Faced with volatile commodity markets and extreme price swings, we also stepped up our efforts to strengthen our risk management system to manage our risk exposure. Our robust risk management further reinforced Lee Kee’s position as a reliable and resourceful metal solutions provider.

As we witnessed new demands for specialty alloys for traditional industries, electric vehicles, telecommunications, and emerging technology fields, we experimented with new metal solutions to optimize our product mix and enhance our margins. Our reliable supply of quality metals and product homogeneity reinforced customer satisfaction. Our Promet Metals Testing Laboratory Limited also extended its customer reach and services to meet the new demands.

CEO Message

We made solid progress in advancing our digital transformation journey during this Financial Year. Our digitalization channels proved invaluable in tackling logistical challenges during lockdowns. We will continue to develop new applications that will further our digital transformation in the coming years.

Carbon neutrality is an important goal to us, and we are committed to reducing carbon emissions at our production facilities and across our operations. To that end, measuring carbon emissions was an essential priority in this Financial Year. We are inspired to introduce carbon reduction at the product level in the coming years with new methods and processes that support our customers. Moreover, we constantly identify ways to improve our sustainability practice and have invested in new green initiatives such as renewable energy and recycled packaging to facilitate customers' transition to green supply chains.

I am pleased to share some of the sustainability recognitions the Group attained in FY2021/2022, such as CarbonCare® Label – Level 3, CarbonCare® ESG Label – Level 3, Global Recycled Standard (GRS)# certification, and BEC Low Carbon Charter. We firmly believe that our ongoing efforts to pursue green initiatives and development will benefit ourselves, our industry and the overall supply chain.

Leveraging our firm foundation of 75 years of excellence, we will continue to reinforce our positioning as the leading metal supplier to traditional and advanced manufacturing industries in the future. Riding on the sustainability and green economy trends, we will innovate metal solutions to create sustainable value for our stakeholders and shareholders.

CHAN Yuen Shan Clara
Vice-Chairman and Chief Executive Officer

27th May 2022

Lee Fung Metal Co., Ltd. and LKG Elite (Shenzhen) Co., Ltd., members of Lee Kee Group, have been certified to trade GRS zinc alloy in accordance with the Global Recycled Standard 4.0 (GRS 4.0).

COMMITMENT ON DIVERSIFICATION

Foster innovation, customize preeminent metals to sharpen our edge and competitive capability.

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				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**2,549,769**	1,951,879	1,864,166	2,276,977	2,711,441
Profit/(loss) before income tax	**26,398**	22,308	(123,394)	(81,695)	95,561
Income tax expense	**(7,859)**	(5,466)	(4,763)	(4,965)	(5,408)
Profit/(loss) attributable to the equity shareholders of the Company for the year	**18,539**	16,842	(128,157)	(86,660)	90,153
Attributable to:					
Equity shareholders of the Company	**18,657**	16,882	(128,057)	(86,652)	90,153
Non-controlling interests	**(118)**	(40)	(100)	(8)	—
	18,539	16,842	(128,157)	(86,660)	90,153

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31st March				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total non-current assets	**166,304**	119,418	108,904	129,488	123,303
Total current assets	**950,847**	916,644	947,622	1,172,192	1,346,261
Total assets	**1,117,151**	1,036,062	1,056,526	1,301,680	1,469,564
Total non-current liabilities	**12,970**	5,358	19,396	19,608	18,130
Total current liabilities	**180,952**	128,766	174,317	271,892	341,203
Total liabilities	**193,922**	134,124	193,713	291,500	359,333
Net assets	**923,229**	901,938	862,813	1,010,180	1,110,231

Management Discussion and Analysis

OVERALL BUSINESS PERFORMANCE

Financial Review

For the year ended 31st March 2022 ("Financial Year"), the Group continued to achieve robust revenue with consecutive years of profit, driven by higher metal prices and optimized product and service mix. The Group achieved this despite facing an uncertain operating environment marked by severe supply chain disruptions, rising logistics costs, and ongoing COVID-19 outbreaks in different parts of Asia.

The Group's revenue for the Financial Year was approximately HK$2,550 million, an increase of 30.6% compared to approximately HK$1,952 million for the year ended 31st March 2021 (the "Comparative Period"). During the Financial Year, tonnage sold by the Group was around 96,790 tonnes, compared to 96,010 tonnes in the Comparative Period.

The Group recorded a gross profit of HK$146 million and a gross profit margin of 5.7% for the Financial Year, compared to a gross profit of HK$113 million and gross profit margin of 5.8% in the Comparative Period.

The Group recorded a profit attributable to the Company's equity shareholders of approximately HK$18.7 million during the Financial Year, compared to HK$16.9 million during the Comparative Period. The increase in profit was attributable to the positive effects of product and service mix and higher metal prices.

The positive momentum for global zinc prices has continued with the gradual relaxation of COVID-19 restrictions during the Financial Year. Global zinc prices rallied further on signs of economic recovery, soaring commodities inflation and supply chain disruptions toward the second half of the Financial Year.

With the increase in logistics costs during the period under review, the selling and distribution expenses grew 22.9% to HK$29.8 million, compared to the Comparative Period, while the general and administrative expenses were up 11.9% to HK$86.6 million compared to the Comparative Period.

The Group recorded other net losses of HK$7.9 million during the Financial Year, compared to other net gains of approximately HK$1.0 million during the Comparative Period. The changes were mainly attributed to the revaluation of investment properties and cost of forward contracts during the Financial Year.

The Group's finance costs for the Financial Year were HK$3.0 million compared to HK$1.9 million in the Comparative Period.

The Group continues to retain a healthy financial position, with HK$209 million bank balances and cash on hand as of 31st March 2022.

Business Review

LEE KEE's geographically diverse operations prove resilient during logistical disruptions

Ongoing waves of COVID-19 outbreak and supply chain disruptions have impacted the Group's products and services throughout the Financial Year. LEE KEE adapted swiftly to mitigate the challenging operating environment and managed its process digitally, while ensuring compliance with various health measures to ensure operational continuity across different regions.

The Group's diversification strategy remains an integral part of its corporate development, enabling the Group to overcome various logistical challenges while capturing business opportunities. Despite ongoing supply chain disruptions, the Group was able to maintain a similar tonnage sold level during the Financial Year.

No matter where we faced a localized pandemic outbreak and lockdown during the Financial Year, the Group has responded swiftly to help its customers meet overseas orders, leveraging its geographically diverse presence in Asia.

During the Financial Year, Lee Kee continued to harness synergies across different business units and further enhanced the agility of its operations to dynamically respond to changing market conditions, and continued to strengthen its strategic position and competitiveness in Southeast Asia.

The Group's proven capability to navigate temporary disruption and supply chain complexity has earned its status as one of the most reliable suppliers of metals solutions.

Product innovation that adds value to traditional and new industries

The Group captured new demands for its premium and specialty alloys that required higher performance and low tolerance rates. Our specialty alloys not only catered for the traditional industries but also addressed the rising needs for advanced manufacturing and new industrial applications, such as electric vehicles, connected homes and telecommunication. As more customers adopt high-quality and sustainable policies, the Group expanded its R&D and specialists' team to develop customized alloys with upgraded functionality for tailored applications. At the same time, it continued to optimize and reduce new alloy development time, while enabling specific functionality to meet upgraded industrial applications and international standards. Our reliable supply of quality metals and product homogeneity reinforced customer satisfaction.

It also proactively set more stringent requirements for its operations to ensure responsible sourcing of raw materials, and further promote the transition to a greener supply chain for the benefit of a more sustainable world.

Further diversified business scope with expanded tailored services

The Group continued its efforts to diversify its business scope and offer customers more tailored and value-added services. Promet Metals Testing Laboratory Limited ("Promet Testing") extended its service to testing drinking water and related plumbing systems. Promet Testing also offered technical consultancy services and water testing reports and safeguarded the health and safety of our community.

Continuous efforts on sustainability

The pandemic has accelerated the transition for many traditional industries, as more and more brands pledge to work only with suppliers that adhere to a responsible supply chain, and have also set carbon-neutrality goals and promoted gender and racial diversity.

Lee Kee is committed to the continual improvement of its ESG initiatives. The Group has made satisfactory progress on decarbonization and responsible sourcing during the Financial Year. We measured carbon emissions from all its production facilities, enabling more effective monitoring of carbon emission reductions. Genesis Alloys (Ningbo) Ltd., member of Lee Kee Group, used electric vehicles to replace traditional fuel vehicles during the Financial Year. The Group also installed solar panels to generate renewable energy and extended the use of recyclable packaging for its deliveries to reduce waste.

The Group has attained related local and international sustainability recognition during the year, including CarbonCare® Label – Level 3, CarbonCare® ESG Label – Level 3, Global Recycled Standard (GRS)[#] certification, and BEC Low Carbon Charter. It also continued to participate the Aluminium Stewardship Initiatives to support the aluminium value chain and fostering responsible production and sourcing of metals.

Prospect

Managing a sustainable recovery

Against the backdrop of an inflationary environment with metal prices supported by supply constraints, the Group is cautiously optimistic about the outlook. Although the path to recovery will remain uneven while localized logistic challenges will likely persist due to temporary pandemic measures, the Group is confident to gradually resume operations across the Greater China and Southeast Asia region in near future.

The Group also sees opportunities in Greater China especially the Greater Bay Area, and Southeast Asia given the upcoming infrastructure development and favourable government policy to boost economic growth and integration. Simultaneously, the formal implementation of the Regional Comprehensive Economic Partnership (RCEP) also brings corresponding opportunities and challenges.

Lee Fung Metal Co., Ltd. and LKG Elite (Shenzhen) Co., Ltd., members of Lee Kee Group, have been certified to trade GRS zinc alloy in accordance with the Global Recycled Standard 4.0 (GRS 4.0).

Product extension and innovation

The Group will build on its core competencies and R&D capability to innovate and provide customized metals solutions for new industries and end customers. Having supported the customers in both traditional and new industries to mitigate various challenges throughout the pandemic, Lee Kee is in a solid position to further collaborate with our clients, meeting their evolving needs for green and advanced manufacturing. The Group's continuous efforts in innovation and product extension will further broaden its revenue sources.

High-quality testing service that safeguards the health of our community

Leveraging on our strong track record in technical capabilities, the Group will continue to implement our diversification strategy, expanding the service scope of Promet Testing. It will introduce our testing service to new sectors and customer groups to achieve continuous growth.

Advancing digital transformation

The Group will continue to progress on its digital transformation and automation to capture new market opportunities. The well-established digital platform is capable to utilize data for business analysis, enabling us to identify issues and solutions to meet customers' needs. The Group's digitized and adaptive operations, together with its robust digital platform will serve its customers well in a challenging environment.

Capturing opportunities from new trends

Environmental trends will inevitably affect the industry and supply chain. The Group's commitment to reducing carbon emissions is critical in differentiating us from our peers. It will also open up new opportunities for the Group, enabling it to expand the business scope. The Group will continue improving production processes and adopting new methods to reduce carbon impact on our environment while grasping new market space from the green trends.

The Group's aspiration to create a positive impact does not stop at the environmental aspect. On the corporate level, it embraces diversity and ensures health and safety for its employees. It is also committed to upholding a high level of corporate transparency with its strategic direction and execution overseen by the Board. As far as the social aspect is concerned, it strives to build thriving communities through staff volunteering, long-term collaboration with charity organizations and donations. The Group's commitment to good governance and making a positive impact on the community will undoubtedly strengthen its competitiveness and ensure its sustainable success.

DIVIDEND

The Board of Directors has recommended a final dividend of HK$0.01 per share for the Financial Year, amounting to HK$8,288,000, to the shareholders whose names appear on the register of members of the Company on 5th September 2022. Subject to the shareholders' approval, the dividend will be paid on or around 19th September 2022.

ANNUAL GENERAL MEETING

It was proposed that the Annual General Meeting of the Company (the "AGM") will be held on 26th August 2022. Notice of the AGM will be published and issued to shareholders in due course.

CLOSURE OF REGISTER

For the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM, the Register of Members of the Company (the "Register of Members") will be closed from Tuesday, 23rd August 2022 to Friday, 26th August 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Monday, 22nd August 2022.

For the purpose of ascertaining shareholders' entitlement to the proposed dividends, the Register of Members will be closed from Thursday, 1st September 2022 to Monday, 5th September 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Wednesday, 31st August 2022.

Remark: *The address of the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong with effect from 15th August 2022. For details, please refer to the Company's announcement to be made in due course.*

LIQUIDITY, FINANCIAL RESOURCES AND COMMODITY PRICE RISK

The Group primarily financed its operation through internal resources and borrowings from banks. As at 31st March 2022, the Group had unrestricted cash and bank balances of approximately HK$209 million (2021: HK$288 million) and bank borrowings of approximately HK$141 million (2021: HK$88.6 million).

The borrowings, which are short term in nature, were made in United States dollars with interest chargeable at market rates. The gearing ratio (total borrowings and lease liabilities to total equity) as at 31st March 2022 was 16.3% (2021: 10.0%). The Group has a current ratio of 525% as at 31st March 2022 (2021: 712%).

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 2022, the Group had approximately 180 employees (2021: 180 employees). Their remuneration, promotion and salary review are assessed based on job responsibilities, work performance, professional experiences and the prevailing industry practices. The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, incentive bonuses and the Group's contribution to mandatory provident funds (or state-managed retirement benefits scheme). During the year, staff costs (including directors' emoluments) were approximately HK$66.5 million (2021: HK$60.2 million).

Directors, Senior Management and Advisor

EXECUTIVE DIRECTORS

Mr. CHAN Pak Chung, aged 74, 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 50 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 spouse of Ms. MA Siu Tao (deemed to be a substantial shareholder of the Company under Securities and Futures Ordinance), father of Ms. CHAN Yuen Shan Clara, Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. CHAN Yuen Shan Clara, aged 50, 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 LEE KEE in 1995 and is responsible for setting the Group's strategic direction and formulating its long-term growth strategies. She also leads the Group to strive toward its sustainability and innovation excellence goals. Ms. Chan has over 25 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, the Lead and Zinc Committee of the London Metal Exchange, the Board Risk Committee of LME Clear Limited, Hong Kong Housing Authority and its Subsidised Housing Committee, the Steering Committee on the Child Development Fund of Hong Kong Labour and Welfare Bureau, the Business Facilitation Advisory Committee of Office of the Financial Secretary, the Regional Comprehensive Economic Partnership Task Force on Trade and Investment under the HKTDC Belt and Road & Greater Bay Area Committee, as well as the Council Member of Hong Kong Productivity Council. Besides, she also serves as an Executive Deputy Chairman of Federation of Hong Kong Industries (FHKI). She is also an independent non-executive director of Computer and Technologies Holdings Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited). 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. Ms. Chan is the daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao, sister of Mr. CHAN Ka Chun Patrick and Ms. OKUSAKO CHAN Pui Shan Lillian.

Mr. CHAN Ka Chun Patrick ("Mr. Patrick Chan"), aged 49, is an Executive Director of the Company and a director of certain subsidiaries of the Company. Mr. Patrick Chan joined the Group in 2006 and has a leading role in the Group's strategic direction and future developments in areas including advance manufacturing and technological innovation. He has 16 years of experience in the stainless steel industry and metal diecasting. 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 the Honorary 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 and a member of HKTDC Electronics/Electrical Appliances Industries Advisory Committee. Prior to joining the Group, Mr. Patrick Chan was an Airline Pilot. Mr. Patrick Chan is the son of Mr. CHAN Pak Chung and Ms. MA Siu Tao, brother of Ms. CHAN Yuen Shan Clara and Ms. OKUSAKO CHAN Pui Shan Lillian.

Ms. OKUSAKO CHAN Pui Shan Lillian ("Ms. Lillian Chan"), aged 47, is an executive director of the Company and a director of the Company's certain subsidiaries. She joined the Group in 2001 and she is the Group's Chief Operating Officer. Ms. Lillian Chan is overseeing the Group's business operation and implement the corporate strategy including sustainable procurement and supply chain management. She has over 20 years of industry experience and leads the strategic direction of the group in particular to ESG and Sustainable development. Ms. Lillian Chan obtained a double bachelor's degree in marketing and Psychology. Ms. Lillian Chan is a daughter of Mr. CHAN Pak Chung and Ms. MA Siu Tao, a sister of Ms. CHAN Yuen Shan Clara and Mr. CHAN Ka Chun Patrick.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Wai Kwok Jimmy, aged 72, is an Independent Non-executive Director of the Company appointed since 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 (now known as Russell Bedford Hong Kong), 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. HO Kwai Ching Mark, aged 60, is an Independent Non-executive Director of the Company appointed since June of 2014. He is currently the co-founder and CEO of ProMEX Limited. 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 25 years of experience in the securities and futures industry. He is also an independent non-executive director of Hengan International Group Company Limited and Green Future Food Hydrocolloid Marine Science Company Limited (both companies listed on The Stock Exchange of Hong Kong Limited).

Mr. TAI Lun Paul, aged 55, is an Independent Non-executive Director of the Company appointed since April 2020. He is currently the Regional Managing Director of Asia of Mainetti (Far East) Limited ("Mainetti") overseeing its Asian operations and actively participating in the group's major expansion and acquisition projects. Prior to joining Mainetti, he worked in a bluechip property company in Hong Kong. Mr. Tai has over 30 years' experience in corporate development, specialising in Asian operations, financial matters and mergers and acquisitions. Mr. Tai is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a Chartered Accountant of Singapore. Mr. Tai was awarded a Master Degree in Business Administration from The Hong Kong University of Science and Technology.

SENIOR MANAGEMENT

Mr. CHEUK Wa Pang, aged 57, is the Chief Financial Officer 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 29 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 74, 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.

ADVISOR

To further strengthen the Group's expertise and development in the metal industry, the Group has engaged advisors from different areas from time to time. During the Financial Year, the following advisor was engaged:

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

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company (the "Board") recognises the importance of business ethics and incorporating elements of good corporate governance (including but not limited to traditional corporate values) in the business and operation, management structures, risk management and internal control of the Group so as to achieve effectiveness and accountability. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards. In addition, the Company implemented specific 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 Advisor 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. In general, the Board assumes the responsibility of leading and control of the company and collectively responsible for promoting its success by directing and supervising its affairs. It also establishes company purpose, values and strategy to algin with corporate culture. 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 Advisor 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. The Company also invited external parties to deliver and organized itself various trainings during the Financial Year.

Directors' trainings

	Attending Seminars/courses/ webinar	Reading materials on regulations, updates	Receiving briefing and updates
CHAN Pak Chung	✓		✓
CHAN Yuen Shan Clara	✓	✓	✓
CHAN Ka Chun Patrick	✓	✓	✓
OKUSAKO CHAN Pui Shan Lillian	✓	✓	✓
CHUNG Wai Kwok Jimmy	✓	✓	✓
HO Kwai Ching Mark	✓	✓	✓
TAI Lun Paul	✓	✓	✓

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

All Independent Non-executive Directors entered into appointment letters with the Company for a term of two years with expiry on 3rd October 2022, 31st March 2024 and 15th June 2024 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 and determining the award of bonuses. The Remuneration Committee has three members comprising of Mr. CHAN Pak Chung, Mr. CHUNG Wai Kwok Jimmy and Mr. HO Kwai 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 (including bonus) of Executive Directors and the Senior Management with reference to various benchmarks during the financial year. The remuneration to Directors is set out in note 29 to the Financial Statements.

Nomination Committee and Diversity

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. TAI Lun Paul, two of whom are Independent Non-Executive Directors. The Nomination Committee is chaired by Mr. CHAN Pak Chung and discharged its duties.

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.

During the Financial Year, the Nomination Committee has reviewed the Company's diversity policy and the measurable objective adopted by the Company. 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. The Nomination Committee also reviewed the structure, size and the composition of the Board, assessed independence of INED and retirement of Directors at the Annual General Meeting with reference to the Company's applicable policies, nomination policy (including nomination procedures and process) and considered the succession plan.

The Company recognizes the benefits of diversity and believes that diversity can be achieved through consideration of a number of factors, such as, gender, age, cultural background, educational background, professional experience, skills, knowledge and/or length of service.

With Nomination Committee's review and reporting, the Board considered that the measurable objects was achieved with reference to the board composition about the gender, age and directors' background against the business model and strategic direction:

- female and male board members representing around 30% and 70% of the total number of the Directors
- average age of the Directors was within the target range
- Non-executive Directors represent at least 1/3 of the total number of Directors

Along the long corporate culture about diversity, the Group recruits and promotes staff based on various factors, such as ability, expertise, skills and integrity. In view of female and male staff of around 50:50 ratio for years (including the financial year), it was considered not necessary to set specific target of gender diversity for the group.

The Board also reviewed the mechanism to ensure independent views and input are available to the Board during the Financial Year.

Corporate Governance Committee

The Company established the Corporate Governance Committee on 23rd March 2012 with written terms of reference. The Corporate Governance Committee is mainly responsible for reviewing and monitoring corporate governance issues. The Corporate Governance Committee has four members comprising of Mr. CHAN Pak Chung (Chairman of the Board), Ms. CHAN Yuen Shan Clara (Vice Chairman of the Board and Chief Executive Officer), Mr. CHEUK Wa Pang (Chief Financial Officer) and LEE King On (Company Secretary). 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 (the "Compliance Policy"). Such policy has set out the process for handling of potential inside information/notifiable transaction and reporting channel. Being part of continuous improvement, the Corporate Governance Committee also continued to strengthen the program to enhance staff's awareness to the importance of corporate governance and compliance, such as trainings, set and review the compliance reporting from subsidiaries and departments during the Financial Year. It also reviewed the policies and codes regarding corporate governance, such as the Compliance Policy, the Group's Code of Conduct, the contents of the Corporate Governance Report and take action (including recommendation of adoption/amendment of various policies/code) to comply with the latest amendments of the Listing Rules.

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. HO Kwai Ching Mark and Mr. TAI Lun Paul, all of whom are Independent Non-executive Directors. The Group has also adopted Whistleblowing Policies so that employees and external parties could via such established channel directly report to the designated persons or 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 the relevant policy, framework and annual review with appropriate opinion) and internal control (including selection of external internal auditor and discussing the review scope) as well as discussing matters with the management and the auditor of the Company, and making recommendations to the Board.

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.

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$2,025,000 for annual audit. The non-audit service fee was HK$498,000 during the Financial Year. The aggregate fee amounted to approximately HK$2,523,000.

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	6/6	—	3/3	2/2
Ms. CHAN Yuen Shan Clara	6/6	—	—	—
Mr. CHAN Ka Chun Patrick	5/6	—	—	—
Ms. OKUSAKO CHAN Pui Shan Lillian	6/6	—	—	—
Mr. CHUNG Wai Kwok Jimmy	6/6	2/2	3/3	2/2
Mr. HO Kwai Ching Mark	6/6	2/2	3/3	—
Mr. TAI Lun Paul	6/6	2/2	—	2/2

All Directors then attended the 2021 annual general meeting of the Company.

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 on internal control areas annually and 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 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) and other applicable methodology.

(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, cyber risk and climate risk.

1. For commodity price 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 mainly zinc
   - Currency movements
   - Changes in interest rates and liquidity

   The Group has considered a wider range of products to mitigate risk, where necessary, including futures, options and OTC contracts. When considering volume risk and the possible solution of geographical expansion, the Group analysed its existing business and identified areas which could both complement and support these operations, allowing us to be clear about the level of risk to be taken in order to increase business. It conducted at the time of major investment 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 (i.e. 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 an independent professional firm to conduct an assessment of the Group's cyber security to evaluate the risk from different areas and make the recommendations to improvement. During the Financial Year, the Group implemented the recommendations with the support from the professional firm to improve the protection against cyber risk. As with all risk management policies, awareness of cyber risk is embedded in the corporate culture.

4. Climate risk is classified as the Group's material risk and evaluated from the impact of physical risk and transition risk. The Senior Management was involved in managing such risk with objective to reduce the impact from climate change.

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) (i.e., 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. During the year, designated staff was required to check the function of various channels and monitor enquiry from shareholders to ensure timely reply. The Board was reported of the check and monitor findings during the financial year and considered the Shareholders Communication policy was implemented effectively.

The Company has adopted its dividend policy to set out the principles as a reference to determine the dividend distribution. The Board will consider to pay dividend only from consolidated profits and company reserves lawfully available for distribution and take into account of various factors, such as, market, macroeconomic conditions, operating results, financial conditions, future operating and capital requirements of the Group. There is no assurance that dividend of any amount will be declared or distributed in any year.

There are no significant changes in the Company's Memorandum and Articles of Association (the "M&A") during the Financial Year. The Board recommended to amend the M&A whose details were shown in the Company's announcement dated 27 May 2022.

COMPANY SECRETARY

The Company Secretary is an employee of the Company and is appointed by the Board of Directors. In compliance with Rule 3.29 of the Listing Rules, the Company Secretary undertakes no less than 15 hours of relevant professional training annually.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

The Directors are pleased to present their report along with the audited consolidated financial statements of Lee Kee Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st March 2022 (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, provision of metal testing and consultancy services, as well as alloy production 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 results of the Group for the year are set out in the consolidated statement of profit or loss on page 46.

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, 23rd August 2022 to Friday, 26th August 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for voting at the forthcoming AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Monday, 22nd August 2022.

For the purpose of ascertaining shareholders' entitlement to the proposed dividends, the Register of Members will be closed from Thursday, 1st September 2022 to Monday, 5th September 2022, both days inclusive, during which period no transfers of shares will be effected. In order to qualify for dividends, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Wednesday, 31st August 2022.

Remark: The address of the Company's Hong Kong Branch Share Registrar and Transfer Office, Tricor Investor Services Limited, will be changed to 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong with effect from 15th August 2022. For details, please refer to the Company's announcement to be made in due course.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$99,000.

INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

Details of the movements of investment properties and other property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 19 to the consolidated financial statements. There were no movements during the Financial Year.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2022 amounted to approximately HK$779,674,000.

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 *(Vice Chairman & CEO)*
Mr. CHAN Ka Chun Patrick
Ms. OKUSAKO CHAN Pui Shan Lillian

Independent Non-executive Directors
Mr. CHUNG Wai Kwok Jimmy
Mr. HO Kwai Ching Mark
Mr. TAI Lun Paul

In accordance with Article 130 of the Articles of Association of the Company, Ms. CHAN Yuen Shan Clara and Mr. HO Kwai Ching Mark 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 pages 21 to 23 of the Annual Report.

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

At 31st March 2022, 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 (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, 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 2022, 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 2022, 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

Notes:

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 2022, 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 2022, 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 review and environmental protection sections are set out in the sections headed "Management Discussion and Analysis" of this Annual Report and the ESG 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 operations in Greater China (i.e., offices, warehouses, production plants and laboratory) Southeast Asia (i.e., offices). 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. During the Financial Year, the Group continues to implement environmental initiatives into its business operations, including installing solar panels to generate renewable energy and enhancing resource efficiency in its production facilities. The Group has also made significant progress on its previously set targets for energy consumption and GHG emissions and continue to identify other areas to reduce its environmental impact.

Certain laws and regulations are considered the most relevant to the Group. For example, in Hong Kong, there are Listing Rules, Employment Ordinance (Cap 57), Minimum Wage Ordinance (Cap. 608), Mandatory Provident Fund Schemes 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), Inland Revenue Ordinance (Cap. 112), Prevention and Control of Disease Ordinance (Cap. 599), Occupational Safety and Health Ordinance (Cap. 509), Noise Control Ordinance (Cap. 400) and Waste Disposal (Chemical Waste) (General) Regulation. In PRC, there are Labor Contract Law, Environmental Protection Law, and Suppression of Corruption Regulation. There was no reporting case of any non-compliance of such relevant laws and regulations 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 Occupational Health and Safety Management Systems 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 its production plants also have achieved 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 required to comply with all local environmental, employment and safety regulations. The Group is also an Established Member of the Green Council Sustainable Procurement Charter.

MAJOR SUPPLIERS AND CUSTOMERS

During the Financial Year, the Group sold approximately 15.3% 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	17.9%
– five largest suppliers combined	53.7%

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.

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

KPMG retire, and being eligible, offer themselves for re-appointments. 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, 27th May 2022

Independent Auditor's Report

KPMG

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 46 to 110, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022 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 the 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.

KEY AUDIT MATTERS (Continued)

Valuation of inventories

Refer to note 16 to the consolidated financial statements and the accounting policy note 2(k).

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 Mainland China. At 31 March 2022, 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$411 million which included provisions of HK$10 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. 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.	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.

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.

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

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, actions taken to eliminate threats or safeguards applied.

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 Tsui Kin Wa.

KPMG
Certified Public Accountants

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

27 May 2022

Consolidated Statement of Profit or Loss

for the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Revenue	5	**2,549,769**	1,951,879
Cost of sales		**(2,404,126)**	(1,839,088)
Gross profit		**145,643**	112,791
Other income	6	**7,338**	11,039
Distribution and selling expenses		**(29,752)**	(24,200)
Administrative expenses		**(86,609)**	(77,415)
Other net (losses)/gains	7	**(7,853)**	1,035
Profit from operations	8	**28,767**	23,250
Finance income		**597**	979
Finance costs		**(2,966)**	(1,921)
Net finance costs	9	**(2,369)**	(942)
Profit before taxation		**26,398**	22,308
Income tax	11	**(7,859)**	(5,466)
Profit for the year		**18,539**	16,842
Attributable to:			
Equity shareholders of the Company		**18,657**	16,882
Non-controlling interests		**(118)**	(40)
Profit for the year		**18,539**	16,842
Earnings per share			
Basic and diluted (Hong Kong cents)	12	**2.25**	2.04

The notes on pages 52 to 110 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	2022 $'000	2021 $'000
Profit for the year	**18,539**	16,842
Other comprehensive income for the year:		
Item that will not be reclassified to profit or loss:		
Revaluation of financial assets at fair value through other comprehensive income, net of nil tax	**(1,299)**	7,877
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong, net of nil tax	**12,022**	14,723
Cash flow hedges: net movement in the hedging reserve	**317**	(317)
	11,040	22,283
Total comprehensive income for the year	**29,579**	39,125
Attributable to:		
Equity shareholders of the Company	**29,697**	39,165
Non-controlling interests	**(118)**	(40)
Total comprehensive income for the year	**29,579**	39,125

The notes on pages 52 to 110 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Non-current assets			
Investment properties	14	**104,900**	63,600
Other property, plant and equipment	14	**44,639**	32,744
Intangible assets		**2,430**	—
Financial assets at fair value through other comprehensive income	15	**11,229**	12,528
Prepayments	17	**382**	7,795
Deferred tax assets	23	**2,724**	2,751
		166,304	119,418
Current assets			
Inventories	16	**411,003**	386,698
Trade and other receivables	17	**330,404**	239,750
Tax recoverable		**28**	1,150
Derivative financial instruments		**662**	828
Cash and cash equivalents	18	**208,750**	288,218
		950,847	916,644
Current liabilities			
Trade and other payables and contract liabilities	21	**33,265**	36,285
Bank borrowings	22	**140,705**	88,559
Lease liabilities	24	**2,265**	1,406
Tax payable		**2,878**	993
Derivative financial instruments		**1,839**	1,523
		180,952	128,766
Net current assets		**769,895**	787,878
Total assets less current liabilities		**936,199**	907,296

Consolidated Statement of Financial Position

at 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Non-current liabilities			
Employee retirement benefit obligations		**1,500**	1,344
Lease liabilities	24	**7,603**	9
Deferred tax liabilities	23	**3,867**	4,005
		12,970	5,358
Net assets		**923,229**	901,938
Capital and reserves			
Share capital	19	**82,875**	82,875
Reserves	20	**840,388**	818,979
Total equity attributable to equity shareholders of the Company		**923,263**	901,854
Non-controlling interests		**(34)**	84
Total equity		**923,229**	901,938

The consolidated financial statements on page 46 to 110 were approved by the Board of Directors on 27 May 2022 and were signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara
Director

The notes on pages 50 to 109 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company												
	Share capital $'000	Share premium $'000	Merger reserve $'000	Capital redemption reserve $'000	Reserve fund $'000	Fair value reserve (non-recycling) $'000	Exchange reserve $'000	Hedge reserve $'000	Property revaluation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2020	82,875	424,845	(17,830)	125	5,653	(377)	(18,808)	–	15,358	370,848	862,689	124	862,813
Changes in equity for the year ended 31 March 2021:													
Profit for the year	–	–	–	–	–	–	–	–	–	16,882	16,882	(40)	16,842
Other comprehensive income	–	–	–	–	–	7,877	14,723	(317)	–	–	22,283	–	22,283
Total comprehensive income	–	–	–	–	–	7,877	14,723	(317)	–	16,882	39,165	(40)	39,125
Transfer to reserve fund	–	–	–	–	350	–	–	–	–	(350)	–	–	–
Balance at 31 March 2021	82,875	424,845	(17,830)	125	6,003	7,500	(4,085)	(317)	15,358	387,380	901,854	84	901,938

	Attributable to equity shareholders of the Company												
	Share capital $'000	**Share premium $'000**	**Merger reserve $'000**	**Capital redemption reserve $'000**	**Reserve fund $'000**	**Fair value reserve (non-recycling) $'000**	**Exchange reserve $'000**	**Hedge reserve $'000**	**Property revaluation reserve $'000**	**Retained profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 April 2021	**82,875**	**424,845**	**(17,830)**	**125**	**6,003**	**7,500**	**(4,085)**	**(317)**	**15,358**	**387,380**	**901,854**	**84**	**901,938**
Changes in equity for the year ended 31 March 2022:													
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**18,657**	**18,657**	**(118)**	**18,539**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,299)**	**12,022**	**317**	**–**	**–**	**11,040**	**–**	**11,040**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**(1,299)**	**12,022**	**317**	**–**	**18,657**	**29,697**	**(118)**	**29,579**
Dividend paid in respect of the previous year (note 13(b))	**–**	**(8,288)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,288)**	**–**	**(8,288)**
Transfer to reserve fund	**–**	**–**	**–**	**–**	**955**	**–**	**–**	**–**	**–**	**(955)**	**–**	**–**	**–**
Balance at 31 March 2022	**82,875**	**416,557**	**(17,830)**	**125**	**6,958**	**6,201**	**7,937**	**–**	**15,358**	**405,082**	**923,263**	**(34)**	**923,229**

The notes on pages 52 to 110 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2022 (Expressed in Hong Kong dollars)

	Note	2022 $'000	2021 $'000
Operating activities			
Net cash (used in)/generated from operations	26(a)	**(68,731)**	25,198
Interest paid		**(2,819)**	(1,605)
Hong Kong Profits Tax paid		**(234)**	(510)
Mainland China Corporate Income Tax paid		**(4,837)**	(5,902)
Net cash (used in)/generated from operating activities		**(76,621)**	17,181
Investing activities			
Interest received		**597**	979
Proceeds from disposals of property, plant and equipment	26(b)	**591**	74
Payment for the acquisition of property, plant and equipment		**(8,156)**	(2,579)
Payment for the acquisition of intangible assets		**(2,430)**	—
Dividend received from listed securities		**500**	—
Payment for the acquisition of investment properties		**(38,049)**	(5,987)
Net cash used in investing activities		**(46,947)**	(7,513)
Financing activities			
Proceeds from new bank borrowings	26(c)	**918,187**	633,652
Repayment of bank borrowings	26(c)	**(866,041)**	(664,744)
Interest paid on mortgage loan	26(c)	**—**	(230)
Capital element of lease rentals paid	26(c)	**(2,211)**	(1,996)
Interest element of lease rentals paid	26(c)	**(147)**	(86)
Dividend paid		**(8,288)**	—
Net cash generated from/(used in) financing activities		**41,500**	(33,404)
Decrease in cash and cash equivalents		**(82,068)**	(23,736)
Cash and cash equivalents at beginning of the year		**288,218**	306,115
Effect of foreign exchange rates changes		**2,600**	5,839
Cash and cash equivalents at end of the year	18	**208,750**	288,218

The notes on pages 52 to 110 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11 November 2005 as an exempted company with limited liability under the Companies Law (2004 Revision) of the Cayman Islands. The address of the Company's registered office is Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries (together, the "Group") are trading of zinc, zinc alloy, nickel, nickel-related products, aluminium, aluminium alloy, stainless steel and other electroplating chemical products, provision of metal testing and consultancy services, as well as alloy production in Hong Kong and Mainland China.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK dollars"), unless otherwise stated, and have been approved for issue by the Board of Directors on 27 May 2022.

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 investment properties, 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.

(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

(i) Changes in accounting policies for the year ended 31 March 2022

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(ii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2022

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 March 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the conceptual framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before intended use*	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1, *Classification of Liabilities as current or non-current*	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, *Disclosure of accounting policies*	1 January 2023
Amendments to HKAS 8, *Definition of accounting estimates*	1 January 2023
Amendments to HKAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	1 January 2023

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 2022 (Continued)

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(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.

Business combinations involving entities not under common control

The Group applies the acquisition method to account for business combinations involving entities not 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Consolidation (Continued)

(i) *Business combinations (Continued)*

Business combinations involving entities not under common control (Continued)

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.

(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) *The 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, except those arising from foreign currency borrowings used to hedge a net investment in foreign operation which are recognised in other comprehensive income (see note 2(o)).

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 Group 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 and right-of-use assets

Property, plant and equipment, including right-of-use assets arising from leases of property, plant and equipment (see note 2(h)), 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 and right-of-use assets are 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:

—	Buildings	2.5% to 5%
—	Leasehold land	Over the lease term
—	Properties leased for own use	Over the lease term
—	Leasehold improvements	20% to 33%
—	Motor vehicles and yacht	10% to 30%
—	Machinery	10% to 30%
—	Furniture, fixtures and office equipment	20%
—	Computer system	20% to 33%

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(i)).

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 and right-of-use assets (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other net losses/gains" 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) Investment properties

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

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

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(x)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(i) As a lessee (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in "other property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient 46A not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Leased assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(w).

(i) 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). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise. 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.

(j) 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 fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Other investments in equity securities (Continued)

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 fair value through other comprehensive income ("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 profits. 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(w).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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.

(l) Credit losses from financial instruments

The Group requires a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost (including cash and cash equivalents 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses from financial instruments (Continued)

Measurement of ECLs (Continued)

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.

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);

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

— 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(w) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Credit losses from financial instruments (Continued)

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 asset become 1 year past due or 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.

(m) 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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses (see note 2(l)).

(n) 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(l).

(o) Derivative financial instruments

Derivative financial instruments are used solely to manage exposures to fluctuations in foreign currency rates in accordance with the Group's risk management policies. The Group does not hold or issue derivative financial instruments for proprietary trading purposes.

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. The amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedge cash flows affect profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Derivative financial instruments (Continued)

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(p) 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.

(q) 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 invoice amounts using the effective interest method.

(r) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(w)). 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(m)).

(s) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) 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.

(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.

(v) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Provisions and contingent liabilities (Continued)

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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(w) 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.

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) Related parties (Continued)

(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"), Renminbi ("RMB") and New Taiwan dollars ("NTD").

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

Hedges of foreign currency risk

The following table details the carrying amount and the notional amount of currency derivative contracts that have been designated as cash flow hedges of the Group's highly probable forecast sales transactions or trade receivables at the end of the reporting period:

	2022	2021
	$'000	$'000
Notional amount of currency derivative contracts — outgoing currencies		
RMB	**116,082**	107,986
NTD	**35,207**	34,357
Carrying amount of currency derivative contracts		
Asset	**662**	615
Liability	**(1,839)**	(1,448)

The Group considers the risk of movement in exchange rates between the Hong Kong dollars and the United States dollars to be insignificant under the existing currency peg. Correspondingly, the Group uses currency forward contracts to manage the fluctuation in exchange rates between Renminbi, New Taiwan Dollars and United States dollars. The currency forward contracts have a maturity ranging from one to twelve months from the reporting date.

The Group designates currency forward contracts as hedging instruments in cash flow hedges and does not separate the forward and spot element of a currency forward contract but instead designates the currency forward contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

Hedges of foreign currency risk (Continued)

The Group determines the existence of an economic relationship between the foreign currency borrowings and currency derivative contracts, and the highly probable forecast sales transactions based on their currency types, currency amounts and the timing of their respective cash flows.

The main sources of ineffectiveness in these hedging relationships are:

— the effect of the counterparty's and the Group's own credit risk on the fair value of the currency forward contracts which is not reflected in the fair value of the hedged cash flows attributable to the change in forward rates; and

— changes in the timing of the hedged transactions.

The following table provides a reconciliation of the hedging reserve in respect of foreign currency risk and shows the effectiveness of the hedging relationships:

	2022 **$'000**	2021 $'000
Balance at 1 April	**317**	—
Reclassification adjustments for amounts transferred to profit or loss	**(317)**	—
Effective portion of the cash flow hedge recognised in other comprehensive income	**—**	380
Net deferred tax credited to other comprehensive income	**—**	(63)
Balance at 31 March*	**—**	317

* *The entire balance in the hedging reserve relates to continuing hedges.*

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

In respect of RMB, at 31 March 2022, if RMB had weakened/strengthened by 5% (2021: 5%) against the Hong Kong dollars with all other variables held constant, post-tax profit and other components of equity for the year would have been decreased/increased by approximately $485,000 and $Nil respectively (2021: $1,389,000 and $4,508,000 respectively).

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 2022, 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 $147,000 (2021: $92,000).

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

(iii) Price risk

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

At 31 March 2022, 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 $561,000 (2021: $626,000).

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 of customers and the exposure over a large number of customers and other counter parties.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Credit risk (Continued)

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.

The Group measures loss allowances for trade receivables 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.

The Group assessed that there is no significant loss recognised and therefore, no provision matrix has been disclosed.

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

	2022 **$'000**	2021 $'000
At beginning of the year	**293**	444
Recognition/(reversal) of credit losses during the year	**552**	(151)
At end of the year	**845**	293

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 2022 are as follows:

	2022 $'000	2021 $'000
Bank balances and cash	**208,750**	288,218
Committed credit lines available (Note)	**500,000**	500,000
Less: Utilised credit lines for bank borrowings	**(140,705)**	(88,559)
	359,295	411,441

Note: Credit lines available were guaranteed by the Company (note 22).

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 period) and the earliest date the Group can be required to pay.

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

	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 2022						
Trade payables, accrued expenses and other payables	**25,808**	**—**	**—**	**—**	**25,808**	**25,808**
Lease liabilities	**2,567**	**1,959**	**2,268**	**4,501**	**11,295**	**9,868**
Bank borrowings	**141,947**	**—**	**—**	**—**	**141,947**	**140,705**
Derivative financial instruments	**1,839**	**—**	**—**	**—**	**1,839**	**1,839**
	172,161	**1,959**	**2,268**	**4,501**	**180,889**	**178,220**
At 31 March 2021						
Trade payables, accrued expenses and other payables	26,469	—	—	—	26,469	26,469
Lease liabilities	1,425	9	—	—	1,434	1,415
Bank borrowings	89,070	—	—	—	89,070	88,559
Derivative financial instruments	1,523	—	—	—	1,523	1,523
	118,487	9	—	—	118,496	117,966

(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.

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

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

The gearing ratios at of 31 March 2022 and 2021 are as follows:

	2022 **$'000**	2021 $'000
Total bank borrowings (note 22)	**140,705**	88,559
Total lease liabilities (note 24)	**9,868**	1,415
	150,573	89,974
Total equity	**923,229**	901,938
Gearing ratio	**16.3%**	10.0%

(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 2022	Fair value measurement as at 31 March 2022 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Assets				
Derivative financial instruments	662	—	662	—
Financial assets at FVOCI	11,229	11,229	—	—
	11,891	11,229	662	—
Liabilities				
Derivative financial instruments	1,839	—	1,839	—

	Fair value at 31 March 2021	Fair value measurement as at 31 March 2021 categorised into		
		Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Assets				
Derivative financial instruments	828	—	828	—
Financial assets at FVOCI	12,528	12,528	—	—
	13,356	12,528	828	—
Liabilities				
Derivative financial instruments	1,523	—	1,523	—

The fair values of financial assets at FVOCI 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. All significant inputs required to fair value the instruments are observable and accordingly, the instruments are included in level 2.

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value measurement (Continued)

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 during the year ended 31 March 2022 (2021: Nil).

The maximum notional principal amounts of these future contracts at 31 March 2022 and 2021 are as follows:

	2022 $'000	2021 $'000
Future metal trading contracts		
Sell	—	138
Future exchange contracts		
Renminbi	**116,082**	107,986
New Taiwan dollars	**35,207**	34,357

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) 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)

(b) 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.

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:

	2022 **$'000**	2021 $'000
Revenue		
Sales of goods	**2,549,769**	1,951,879

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

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

(a) Segment information

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

5 REVENUE AND SEGMENT REPORTING (Continued)

(a) Segment information (Continued)

The segment information for the reporting segments as at and for the year ended 31 March 2022 and 2021 is as follows:

	Hong Kong		Mainland China		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue	**1,185,071**	959,993	**1,364,698**	991,886	**2,549,769**	1,951,879
Segment results	**(4,005)**	(11,748)	**33,287**	22,924	**29,282**	11,176
Other segment expenditure items included in the segment results:						
Cost of inventories recognised as expense	**1,101,761**	942,879	**1,304,711**	948,293	**2,406,472**	1,891,172
Depreciation of property, plant and equipment	**7,448**	5,423	**1,387**	2,184	**8,835**	7,607
Reversal for write-down of inventories	**(1,928)**	(51,309)	**(418)**	(775)	**(2,346)**	(52,084)
Segment assets	**670,740**	678,593	**446,411**	357,469	**1,117,151**	1,036,062
Segment liabilities	**119,935**	70,693	**73,987**	63,431	**193,922**	134,124

(b) Reconciliation of segment results

	2022	2021
	$'000	$'000
Segment results		
Total segment results	**29,282**	11,176
Other income	**7,338**	11,039
Other net (losses)/gains	**(7,853)**	1,035
Net finance costs	**(2,369)**	(942)
Profit before taxation	**26,398**	22,308

6 OTHER INCOME

	2022 $'000	2021 $'000
Provision of technical consultancy services	**3,146**	2,890
Government grants (note)	**—**	5,608
COVID-19-related rent concessions received	**—**	54
Dividend income from listed securities	**500**	—
Rental income	**2,111**	633
Others	**1,581**	1,854
	7,338	11,039

Note: During the year ended 31 March 2021, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong SAR Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

7 OTHER NET (LOSSES)/GAINS

	2022 $'000	2021 $'000
Gain on disposals of property, plant and equipment (note 26(b))	**581**	62
Unrealised gain on metal future trading contracts and foreign exchange forward contracts	**—**	138
Realised loss on foreign exchange forward contracts	**(796)**	(69)
Net foreign exchange (loss)/gain	**(4,115)**	2,153
Change in fair values of investment properties (note 14)	**(2,736)**	(1,000)
Others	**(787)**	(249)
	(7,853)	1,035

8 PROFIT FROM OPERATIONS

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

	2022 **$'000**	2021 $'000
Auditor's remuneration		
— audit services	**2,025**	1,900
— other services	**498**	445
Depreciation		
— owned property, plant and equipment	**6,376**	5,258
— right-of-use assets	**2,459**	2,349
Lease payment not included in the measurement of lease liabilities	**897**	930
Cost of inventories recognised as expense	**2,406,472**	1,891,172
Reversal of write-down of inventories	**(2,346)**	(52,084)
Recognition/(reversal) of credit losses of trade receivables	**552**	(151)

9 NET FINANCE COSTS

	2022 **$'000**	2021 $'000
Interest income	**597**	979
Interest on lease liabilities	**(147)**	(86)
Interest on short-term bank borrowings	**(2,819)**	(1,605)
Interest on mortgage loan	**—**	(230)
	(2,369)	(942)

10 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2022 **$'000**	2021 $'000
Wages, salaries and allowances	**64,938**	58,851
Post-employment benefits — pension	**1,604**	1,314
	66,542	60,165

11 INCOME TAX

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

	2022 $'000	2021 $'000
Current tax		
— Hong Kong Profits Tax	**968**	395
— Mainland China Corporate Income Tax	**7,175**	5,706
Over-provision in prior years	**(110)**	(30)
	8,033	6,071
Deferred tax (note 23)	**(174)**	(605)
Income tax expense	**7,859**	5,466

The provision for Hong Kong Profits Tax is calculated by applying the tax rate of 16.5% (2021: 16.5%) for the year. Taxation for Mainland China's subsidiaries is similarly calculated using the tax rate of 25% (2021: 25%) for the year.

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

	2022 $'000	2021 $'000
Profit before taxation	**26,398**	22,308
Notional tax on profit before taxation, calculated at rates applicable to profits in the jurisdictions concerned	**5,827**	4,195
Income not subject to tax	**(1,070)**	(1,814)
Expenses not deductible for tax purposes	**5,222**	4,733
Tax losses not recognised	**2,773**	4,710
Utilisation of previously unrecognised tax losses	**(4,783)**	(6,328)
Over-provision in prior years	**(110)**	(30)
Income tax expense	**7,859**	5,466

12 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022	2021
Profit attributable to equity shareholders of the Company ($'000)	**18,657**	16,882
Average number of ordinary shares in issue ('000)	**828,750**	828,750
Basic earnings per share (Hong Kong cents)	**2.25**	2.04

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 March 2022 and 2021 are the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

13 DIVIDENDS

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

	2022 $'000	2021 $'000
Final dividend proposed after the end of the reporting period of $0.01 (2021: $0.01) per ordinary share	**8,288**	8,288

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2022 $'000	2021 $'000
Final dividend in respect of the previous year, approved and paid during the year, of $0.01 (2021: Nil) per ordinary share	**8,288**	—

14 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets – leasehold land held for own use $'000	Right-of-use assets – properties held for own use $'000	Right-of-use assets – machineries held for own use $'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 properties $'000	Total $'000
Cost or valuation:												
At 1 April 2021	30,175	4,967	–	20,216	37,279	36,703	34,680	7,928	11,997	183,945	63,600	247,545
Exchange difference	54	158	–	607	–	6	613	94	78	1,610	–	1,610
Additions	–	3,824	6,816	–	5,424	271	2,073	898	1,083	20,389	44,036	64,425
Disposals	–	–	–	–	–	(1,299)	(26)	(5)	–	(1,330)	–	(1,330)
Fair value change	–	–	–	–	–	–	–	–	–	–	(2,736)	(2,736)
At 31 March 2022	30,229	8,949	6,816	20,823	42,703	35,681	37,340	8,915	13,158	204,614	104,900	309,514
Representing:												
Cost	30,229	8,949	6,816	20,823	42,703	35,681	37,340	8,915	13,158	204,614	–	204,614
Valuation – 2022	–	–	–	–	–	–	–	–	–	–	104,900	104,900
At 31 March 2022	30,229	8,949	6,816	20,823	42,703	35,681	37,340	8,915	13,158	204,614	104,900	309,514
Accumulated depreciation and impairment losses:												
At 1 April 2021	18,156	3,475	–	16,448	34,525	34,742	26,369	6,967	10,519	151,201	–	151,201
Exchange difference	22	243	–	433	–	5	414	76	66	1,259	–	1,259
Depreciation charge for the year	235	2,044	180	734	1,682	1,113	1,818	375	654	8,835	–	8,835
Written back on disposals	–	–	–	–	–	(1,291)	(24)	(5)	–	(1,320)	–	(1,320)
At 31 March 2022	18,413	5,762	180	17,615	36,207	34,569	28,577	7,413	11,239	159,975	–	159,975
Net book value:												
At 31 March 2022	11,816	3,187	6,636	3,208	6,496	1,112	8,763	1,502	1,919	44,639	104,900	149,539

14 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

	Right-of-use assets – leasehold land held for own use $'000	Right-of-use assets – properties held for own use $'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 2020	30,056	3,255	19,061	37,238	37,187	33,237	7,506	11,612	179,152	64,600	243,752
Exchange difference	119	103	1,155	–	26	959	183	172	2,717	–	2,717
Additions	–	1,609	–	41	–	484	239	314	2,687	–	2,687
Disposals	–	–	–	–	(510)	–	–	(101)	(611)	–	(611)
Fair value change	–	–	–	–	–	–	–	–	–	(1,000)	(1,000)
At 31 March 2021	30,175	4,967	20,216	37,279	36,703	34,680	7,928	11,997	183,945	63,600	247,545
Representing:											
Cost	30,175	4,967	20,216	37,279	36,703	34,680	7,928	11,997	183,945	–	183,945
Valuation – 2021	–	–	–	–	–	–	–	–	–	63,600	63,600
At 31 March 2021	30,175	4,967	20,216	37,279	36,703	34,680	7,928	11,997	183,945	63,600	247,545
Accumulated depreciation and impairment losses:											
At 1 April 2020	17,759	1,480	15,051	33,478	33,837	24,578	6,495	9,771	142,449	–	142,449
Exchange difference	39	4	657	–	18	753	150	123	1,744	–	1,744
Depreciation charge for the year	358	1,991	740	1,047	1,397	1,038	322	714	7,607	–	7,607
Written back on disposals	–	–	–	–	(510)	–	–	(89)	(599)	–	(599)
At 31 March 2021	18,156	3,475	16,448	34,525	34,742	26,369	6,967	10,519	151,201	–	151,201
Net book value:											
At 31 March 2021	12,019	1,492	3,768	2,754	1,961	8,311	961	1,478	32,744	63,600	96,344

Investment property of $61,600,000 have been pledged to secured banking facilities granted to the Group (2021: $63,600,000). The Group's investment properties are situated in Hong Kong and are held under medium term leases.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement

Fair value hierarchy

The following table presents the fair value of the Group's properties 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 properties as at 31 March 2022 and 2021 was categorised into level 3.

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during the year ended 31 March 2022 (2021: Nil). 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 properties at fair value as at 31 March 2022 were performed by the Group's independent valuer, Jones Lang LaSalle Limited, 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:

	2022	2021
Premium/(discount) on quality of the properties	**3%–7%**	(2)%

14 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

Fair value hierarchy (Continued)

The fair value of investment properties 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 14. Change in fair value of investment property of $2,736,000 is recognised in profit or loss during the year ended 31 March 2022 (2021: $1,000,000).

Investment properties

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 1 to 3 years.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2022 $'000	2021 $'000
Within 1 year	**1,609**	1,011

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2022 $'000**	2021 $'000
Leasehold land held for own use	(i)	**11,816**	12,019
Properties held for own use	(ii)	**3,187**	1,492
Machineries held for own use	(iii)	**6,636**	—
		21,639	13,511

14 INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (Continued)

Right-of-use assets (Continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 **$'000**	2021 $'000
Leasehold land held for own use, with remaining lease term between 10 and 50 years	**235**	358
Machineries held for own use	**180**	—
Properties held for own use	**2,044**	1,991
	2,459	2,349
Interest on lease liabilities (note 9)	**147**	86
COVID-19-related rent concessions received (note 6)	**—**	(54)

During the year ended 31 March 2022, additions to right-of-use assets were $10,640,000 (2021: $1,609,000). This amount primarily related to the capitalise lease payments payable under new/renewed rental agreements.

Details of the maturity analysis of lease liabilities are set out in note 24.

(i) Leasehold land held for own use

The Group holds several industrial buildings for its metal trading business, where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Properties held for own use

The Group has obtained the right to use other properties as its warehouses and offices through tenancy agreements. The leases typically run for an initial period of one to three years.

(iii) Machineries held for own use

The Group has also obtained the right to use of solar panels through a lease arrangement which runs for a period of thirteen years.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 $'000	2021 $'000
Financial assets at FVOCI (non-recycling)		
Equity securities listed in Hong Kong at fair value	**11,229**	12,528
Unlisted limited partnership, at fair value	**—**	—
	11,229	12,528

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 in prior years as it is expected to be irrecoverable by management as a result of the financial difficulties experienced by the investee. Accordingly, management estimated the fair value of the investment in unlisted partnership at 31 March 2021 and 2022 to be nil.

16 INVENTORIES

	2022 $'000	2021 $'000
Finished goods	**420,640**	398,728
Less: write-down of inventories	**(9,637)**	(12,030)
	411,003	386,698

The cost of inventories recognised as expense and included in "cost of sales" amounted to $2,406,472,000 (2021: $1,891,172,000) during the year ended 31 March 2022.

17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2022 $'000	2021 $'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**382**	1,808
Prepayments for purchase of investment property	**—**	5,987
	382	7,795
Current portion		
Trade receivables, net of loss allowance	**277,598**	176,483
Prepayments to suppliers	**40,388**	41,993
Deposits	**1,669**	1,516
Other receivables	**10,749**	19,758
	330,404	239,750
	330,786	247,545

All of the current portion of trade and other receivables are expected to be recovered or recognised as expense within one year. At the end of the reporting period, the ageing of trade receivables, based on invoice date and net of loss allowance, is as follows:

	2022 $'000	2021 $'000
Within 1 month	**227,469**	146,208
Over 1 but within 2 months	**36,548**	15,758
Over 2 but within 3 months	**13,405**	11,636
Over 3 months	**176**	2,881
	277,598	176,483

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

	2022 $'000	2021 $'000
HK dollars	**7,188**	7,829
US dollars	**96,297**	59,151
New Taiwan dollars	**12,801**	13,113
Renminbi	**161,312**	96,389
Malaysian Ringgit	**—**	1
	277,598	176,483

17 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

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

	2022 $'000	2021 $'000
Current	**196,844**	134,731
Within 1 month past due	**68,922**	36,050
Over 1 but within 2 months past due	**10,904**	3,968
Over 2 but within 3 months past due	**830**	509
Over 3 months past due	**98**	1,225
	277,598	176,483

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

18 CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank and on hand	**208,750**	197,672
Short-term bank deposits	**—**	90,546
	208,750	288,218

The weighted average effective interest rate on short-term bank deposits of the Group was 1.24% per annum as at 31 March 2021. The Group does not have short term bank deposits as at 31 March 2022.

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:

	2022 $'000	2021 $'000
HK dollars	**20,998**	21,804
US dollars	**105,239**	160,592
New Taiwan dollars	**13,010**	11,418
Renminbi	**65,720**	92,965
Others	**3,783**	1,439
	208,750	288,218

19 SHARE CAPITAL

Authorised and issued capital

	Number of shares '000	Nominal amount $'000
Authorised:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	8,000,000	800,000
Issued and fully paid — ordinary shares of $0.1 each:		
At 1 April 2020, 31 March 2021, 1 April 2021 and 31 March 2022	828,750	82,875

20 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 28(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.

(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(j)).

20 RESERVES (Continued)

Nature and purpose of reserves (Continued)

(v) Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(o).

(vi) 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).

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2022 $'000	2021 $'000
Trade and other payables		
Trade payables	**4,565**	10,461
Accrued expenses and other payables	**21,243**	16,008
	25,808	26,469
Contract liabilities	**7,457**	9,816
	33,265	36,285

(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 analysis of trade payables, based on the invoice date, is as follows:

	2022 $'000	2021 $'000
Within 1 month	**4,545**	10,167
Over 1 but within 3 months	**—**	17
Over 3 months	**20**	277
	4,565	10,461

21 TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES (Continued)

(a) Trade and other payables (Continued)

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

	2022 $'000	2021 $'000
US dollars	**2,873**	9,289
Renminbi	**1,692**	1,172
	4,565	10,461

(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.

	2022 $'000	2021 $'000
Movements in contract liabilities		
Balance at 1 April	**9,816**	10,696
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	**(9,816)**	(10,696)
Increase in contract liabilities as a result of receiving prepayments from customers during the year in respect of goods not yet delivered as at 31 March	**7,457**	9,816
Balance at 31 March	**7,457**	9,816

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

22 BANK BORROWINGS

	2022 $'000	2021 $'000
Current liabilities		
Short-term bank borrowings	**140,705**	88,559

As at 31 March 2022 and 2021, bank borrowings were repayable within one year.

22 BANK BORROWINGS (Continued)

As at 31 March 2022 and 2021, all the bank borrowings were guaranteed by the Company. All of the Group's banking facilities are subject to the fulfilment of covenants. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 March 2022, none of the covenants relating to drawn down facilities had been breached (2021: $Nil).

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

	2022 $'000	2021 $'000
US dollars	**140,705**	88,559

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

	2022	2021
Short-term bank borrowings	**2.02%**	1.73%

23 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:

	2022 $'000	2021 $'000
Deferred tax assets	**2,724**	2,751
Deferred tax liabilities	**(3,867)**	(4,005)
	(1,143)	(1,254)

The net movement on the deferred tax is as follows:

	2022 $'000	2021 $'000
At beginning of the year	**(1,254)**	(1,922)
Credited to profit or loss (note 11)	**174**	605
(Charged)/credited to other comprehensive income	**(63)**	63
At end of the year	**(1,143)**	(1,254)

23 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		Cash flow hedges		Accelerated tax depreciation		Revaluation of assets	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
At beginning of the year	**1,008**	1,008	**145**	92	**2,543**	2,551	**63**	—	**(2,265)**	(2,825)	**(2,748)**	(2,748)
Credited/(charged) to profit or loss	**—**	—	**40**	53	**(4)**	(8)	**—**	—	**138**	560	**—**	—
Credited to other comprehensive income	**—**	—	**—**	—	**—**	—	**(63)**	63	**—**	—	**—**	—
At end of the year	**1,008**	1,008	**185**	145	**2,539**	2,543	**—**	63	**(2,127)**	(2,265)	**(2,748)**	(2,748)

Deferred tax assets not recognised

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 $56,419,000 (2021: $58,429,000) in respect of tax losses amounting to $341,931,000 (2021: $354,117,000) that can be carried forward against future taxable income. The tax losses arose in Hong Kong and have no expiry date.

Deferred tax liabilities not recognised

Pursuant to the Mainland China Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared by foreign investment enterprises established in Mainland China for distribution to foreign investors. The requirement is effective from 1 January 2008 onwards, and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008 onwards.

No deferred tax liabilities have been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately $38,551,000 at 31 March 2022 (2021: $31,042,000).

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the reporting period:

	2022		2021	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**2,265**	**2,567**	1,406	1,425
After 1 year but within 2 years	**1,745**	**1,959**	9	9
After 2 years but within 5 years	**1,805**	**2,268**	—	—
After 5 years	**4,053**	**4,501**	—	—
	7,603	**8,728**	9	9
	9,868	**11,295**	1,415	1,434
Less: total future interest expenses		**(1,427)**		(19)
Present value of lease liabilities		**9,868**		1,415

25 SUBSIDIARIES

	The Company	
	2022 $'000	2021 $'000
Unlisted shares, at cost	**224,379**	224,379
Amounts due from subsidiaries	**942,080**	938,700
	1,166,459	1,163,079
Less: impairment loss	**(322,363)**	(322,363)
	844,096	840,716

(Expressed in Hong Kong dollars unless otherwise indicated)

25 SUBSIDIARIES (Continued)

The following is a list of principal subsidiaries at 31 March 2022:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued capital/ paid-up capital	Interest held 2022	Interest held 2021
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	Hong Kong, limited liability company	Trading of non-ferrous metals 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%

(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 2022	Interest held 2021
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%
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 USD1 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 profit before taxation to net cash (used in)/generated from operations:

	2022 $'000	2021 $'000
Profit before taxation	**26,398**	22,308
Adjustments for:		
Depreciation of property, plant and equipment	**8,835**	7,607
Interest income	**(597)**	(979)
Interest on bank borrowings	**2,819**	1,835
Interest on lease liabilities	**147**	86
Change in fair values of investment properties	**2,736**	1,000
Covid-19-related rental concession received	**—**	(54)
Dividend income from listed securities	**(500)**	—
Gain on disposals of property, plant and equipment	**(581)**	(62)
Recognition/(reversal) of employee retirement benefit obligations	**156**	(917)
Reversal of write-down of inventories	**(2,346)**	(52,084)
Recognition/(reversal) of credit losses of trade receivables	**552**	(151)
Unrealised loss on derivative financial instruments	**—**	1,745
Effect of foreign exchange rates changes	**(101)**	(3,290)
Changes in working capital:		
(Increase)/decrease in inventories	**(17,616)**	128,716
Increase in trade and other receivables	**(80,186)**	(49,578)
Decrease in trade and other payables and contract liabilities	**(8,447)**	(30,984)
Net cash (used in)/generated from operations	**(68,731)**	25,198

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

	2022 $'000	2021 $'000
Disposals of property, plant and equipment:		
Net book value	**10**	12
Gain on disposals of property, plant and equipment	**581**	62
Proceeds from disposals of property, plant and equipment	**591**	74

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 statement of cash flows as cash flows from financing activities.

	Lease liabilities $'000 (note 24)	Bank borrowings $'000 (note 22)	Total $'000
At 1 April 2020	1,685	119,651	121,336
Changes from financing cash flows:			
Proceeds from new bank borrowings	—	633,652	633,652
Repayment of bank borrowings	—	(664,744)	(664,744)
Interest paid on mortgage loan	—	(230)	(230)
Capital element of lease rentals paid	(1,996)	—	(1,996)
Interest element of lease rentals paid	(86)	—	(86)
Total changes from financing cash flows	(2,082)	(31,322)	(33,404)
Exchange adjustment	117	—	117
Other changes:			
Interest expense (note 9)	86	230	316
Increase in lease liabilities from entering into new leases during the year	1,609	—	1,609
Total other changes	1,695	230	1,925
At 31 March 2021	1,415	88,559	89,974

26 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities: (Continued)

	Lease liabilities $'000 (note 24)	Bank borrowings $'000 (note 22)	Total $'000
At 1 April 2021	**1,415**	**88,559**	**89,974**
Changes from financing cash flows:			
Proceeds from new bank borrowings	**—**	**918,187**	**918,187**
Repayment of bank borrowings	**—**	**(866,041)**	**(866,041)**
Capital element of lease rentals paid	**(2,211)**	**—**	**(2,211)**
Interest element of lease rentals paid	**(147)**	**—**	**(147)**
Total changes from financing cash flows	**(2,358)**	**52,146**	**49,788**
Exchange adjustment	**24**	**—**	**24**
Other changes:			
Interest expense (note 9)	**147**	**—**	**147**
Increase in lease liabilities from entering into new leases during the year	**10,640**	**—**	**10,640**
Total other changes	**10,787**	**—**	**10,787**
At 31 March 2022	**9,868**	**140,705**	**150,573**

(d) Total cash outflow for leases:

Amounts included in the statement of cash flows for leases comprise the following:

	2022 $'000	2021 $'000
Within operating cash flows	**897**	930
Within investing cash flows	**38,049**	5,987
Within financing cash flows	**2,358**	2,082
	41,304	8,999

These amounts relate to the following:

	2022 $'000	2021 $'000
Lease rentals paid	**3,255**	3,012
Purchase of investment properties	**38,049**	5,987
	41,304	8,999

27 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:

	2022 $'000	2021 $'000
Expense		
Rental paid to Sonic Gold Limited	**636**	636

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

(b) Key management compensation

	2022 $'000	2021 $'000
Salaries and other short term employee benefits	**18,812**	12,837
Post-employment benefits — pension	**126**	144
	18,938	12,981

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

The emoluments payable to the senior management of the Group as disclosed in section "Directors, Senior Management and Advisors" in the annual report during the year ended 31 March 2022 fell within the following emolument bands:

	2022	2021
HK$0 to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**—**	1
HK$2,000,001 to HK$3,000,000	**1**	1
	2	3

28 COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	**2022 $'000**	2021 $'000
Non-current assets			
Interests in subsidiaries	25	**844,096**	840,716
Current assets			
Prepayments and other receivables		**4,772**	4,768
Tax recoverable		**—**	23
Cash and cash equivalents		**17,764**	19,654
		22,536	24,445
Current liabilities			
Other payables		**3,651**	1,219
Net current assets		**18,885**	23,226
Total assets less current liabilities		**862,981**	863,942
Non-current liabilities			
Employee retirement benefit obligations		**432**	579
Net assets		**862,549**	863,363
Capital and reserves (note a)			
Share capital		**82,875**	82,875
Reserves		**779,674**	780,488
Total equity		**862,549**	863,363

The statement of financial position of the Company was approved by the Board of Directors on 27 May 2022 and was signed on its behalf.

CHAN Pak Chung
Director

CHAN Yuen Shan Clara
Director

28 COMPANY'S STATEMENT OF FINANCIAL POSITION (Continued)

Note (a): Changes in equity of the Company

	Share capital	Share premium	Contributed surplus (Note)	Capital redemption reserve	Accumulated losses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April 2021	**82,875**	**424,845**	**640,631**	**125**	**(285,113)**	**863,363**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**—**	**7,474**	**7,474**
Dividend paid in respect of the previous year (note 13(b))	**—**	**(8,288)**	**—**	**—**	**—**	**(8,288)**
At 31 March 2022	**82,875**	**416,557**	**640,631**	**125**	**(277,639)**	**862,549**
At 1 April 2020	82,875	424,845	640,631	125	(285,663)	862,813
Profit and total comprehensive income for the year	—	—	—	—	550	550
At 31 March 2021	82,875	424,845	640,631	125	(285,113)	863,363

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.

29 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 2022 and 2021 are set out below.

Name of directors	Fees $'000	Salary $'000	Discretionary bonuses $'000	Other benefits (Note 2) $'000	Employer's contribution to a retirement benefit scheme $'000	Total $'000
Year ended 31 March 2022						
Executive directors						
Mr. Chan Pak Chung	—	2,880	—	—	—	2,880
Ms. Chan Yuen Shan Clara (Chief executive officer)	—	3,090	500	636	18	4,244
Ms. Okusako Chan Pui Shan Lillian	—	1,764	500	—	18	2,282
Mr. Chan Ka Chun Patrick	—	1,708	500	—	18	2,226
Independent non-executive directors						
Mr. Chung Wai Kwok Jimmy	288	—	—	—	—	288
Mr. Ho Kwai Ching Mark	288	—	—	—	—	288
Mr. Tai Lun Paul	288	—	—	—	—	288
	864	9,442	1,500	636	54	12,496
Year ended 31 March 2021						
Executive directors						
Mr. Chan Pak Chung	—	1,440	—	—	—	1,440
Ms. Chan Yuen Shan Clara (Chief executive officer)	—	1,475	573	636	18	2,702
Ms. Okusako Chan Pui Shan Lillian	—	1,347	296	—	18	1,661
Mr. Chan Ka Chun Patrick	—	1,304	293	—	18	1,615
Independent non-executive directors						
Mr. Chung Wai Kwok Jimmy	192	—	—	—	—	192
Mr. Ho Kwai Ching Mark	192	—	—	—	—	192
Mr. Tai Lun Paul (note 3)	192	—	—	—	—	192
	576	5,566	1,162	636	54	7,994

Notes:

(1) The directors' remuneration for the year ended 31 March 2022 includes back payment of $1,560,000 in respect of the year ended 31 March 2021.

(2) Other benefits include the rental expenses paid for a director's quarter.

(3) Mr. Tai Lun Paul was appointed as independent non-executive director with effect from 1 April 2020.

29 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 (2021: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2021: Nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2021: 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 (2021: 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 (2021: Nil).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year include four (2021: four) directors whose emoluments are reflected within this note above.

The emoluments payable to the remaining one (2021: one) of the five highest paid individuals during the year are as follows:

	2022	2021
	$'000	$'000
Salaries and other allowances	**2,374**	1,813
Post-employment benefits - pension	**18**	18
	2,392	1,831

The emoluments payable to this individual during the year fell within the following emolument bands:

	Number of individuals	
	2022	2021
$1,500,001 to $2,000,000	**—**	1
$2,000,001 to $2,500,000	**1**	—
	1	1

30 COMMITMENTS

Capital commitments outstanding at 31 March 2022 not provided for in the financial statements were as follows:

	2022 **$'000**	2021 $'000
Contracted for acquisition of intangible assets	**2,474**	—
Contracted for acquisition of an investment property	**-**	37,800
	2,474	37,800

31 ULTIMATE AND IMMEDIATE HOLDING COMPANIES

At 31 March 2022, 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.

Particulars of Investment Properties

Location	Existing Use	Lease Term	Attributable interest of the Group
Ground Floor of No. 282 and No. 284 Lai Chi Kok Road and 1st Floor of Nos. 282 and 282A Lai Chi Kok Road, Man On Building, Kowloon	Shop	Medium	100%
Office G on 31st Floor and Car Parking Nos. P27, P28 and P29 on 7th Floor, COS Centre, No. 56 Tsun Yip Street, Kowloon, Hong Kong	Office	Medium	100%

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