GOLIK HOLDINGS LIMITED

2017 ANNUAL REPORT

Incorporated in Bermuda
with limited liability

Stock Code: 1118

GOLIK

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. PANG Tak Chung *(Chairman)*
Mr. HO Wai Yu, Sammy *(Vice Chairman)*
Ms. PANG Wan Ping
Mr. LAU Ngai Fai

Independent Non-executive Directors

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong

COMPANY SECRETARY

Mr. HO Wai Yu, Sammy
FCCA CPA MCMI MHKCS MHKSI

AUDIT COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong

REMUNERATION COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6505, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Troutman Sanders
W. K. To & Co.

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS CONSULTANT

JOVIAN Financial Communications Limited
Room 506, Beautiful Group Tower
74-77 Connaught Road Central
Hong Kong
E-mail: golik@joviancomm.com

WEBSITE

www.golik.com

STOCK CODE

1118

FINANCIAL SUMMARY

RESULTS

	For the year ended 31st December,				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	3,070,165	3,201,314	2,524,502	2,160,454	**2,742,207**
Profit before taxation	114,855	141,750	124,809	110,681	**69,168**
Income taxes	(13,093)	(21,004)	(23,361)	(25,528)	**(20,279)**
Profit for the year	101,762	120,746	101,448	85,153	**48,889**
Profit attributable to:					
Shareholders of the Company	92,223	107,436	92,740	72,670	**42,432**
Non-controlling interests	9,539	13,310	8,708	12,483	**6,457**
	101,762	120,746	101,448	85,153	**48,889**

ASSETS AND LIABILITIES

	At 31st December,				
	2013	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,222,418	2,127,386	1,701,671	1,910,482	**2,367,938**
Total liabilities	(1,323,946)	(1,137,767)	(669,924)	(852,662)	**(1,250,625)**
Net assets	898,472	989,619	1,031,747	1,057,820	**1,117,313**
Equity attributable to shareholders of the Company	865,145	948,522	997,938	1,023,516	**1,065,125**
Non-controlling interests	33,327	41,097	33,809	34,304	**52,188**
Total equity	898,472	989,619	1,031,747	1,057,820	**1,117,313**

METAL PRODUCTS

Galvanized Steel Wire Production Line in Heshan, Guangdong, Mainland China

Steel Coil Processing Centre in Dongguan, Guangdong, Mainland China

Elevator Wire Rope Production Line in Tianjin, Mainland China

BUILDING CONSTRUCTION MATERIALS


Steel Distribution

Supply of Ready Mixed Concrete

Rebar Value-Added Centre in Tai Po, Hong Kong

FINANCIAL HIGHLIGHTS

Revenue for the years ended 31st December, 2016 and 2017

(HK$'000)

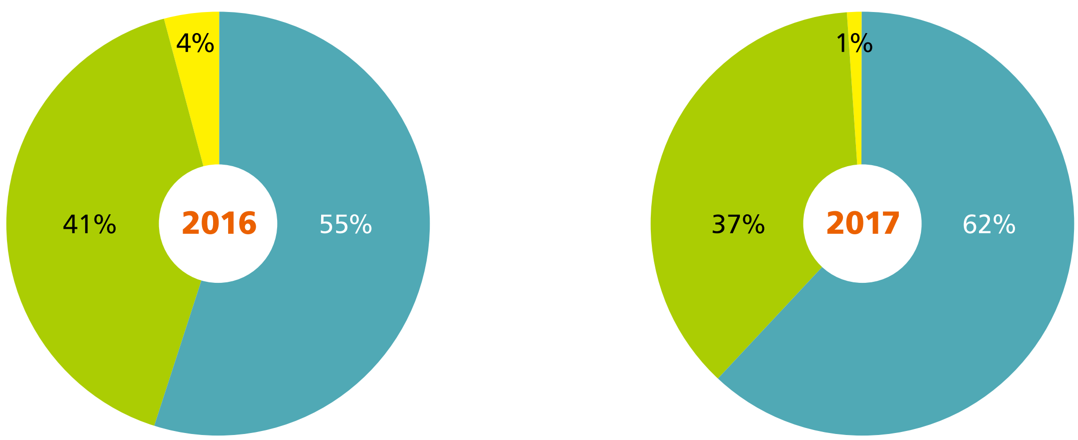
2016	2,160,454
2017	2,742,207

Profit attributable to shareholders of the Company for the years ended 31st December, 2016 and 2017

(HK$'000)

2016	72,670
2017	42,432

Revenue by operating segments for the years ended 31st December, 2016 and 2017



Metal products Building construction materials Other operations

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Metal products and building construction materials represent two core pillars of business for the Group. For the year ended 31st December, 2017, the Group's total revenue was HK$2,742,207,000, an increase of approximately 27% year-over-year. After deduction of non-controlling interests, profit attributable to the shareholders of the Company for the year amounted to HK$42,432,000, a decrease of approximately 42% year-over-year.

2017 was a relative challenging year for the businesses of the Group. The significant price fluctuation of steel, the manufacturing sector in the Mainland exposed to the more stringent environmental regulations, coupled with the Group's investment in the expansion of "High-end Lifting Wire Rope" project in Tianjin and "Steel Rebar Processing" project in Hong Kong are still at the preliminary development stages, the preliminary expenses for the expansion of business will have a negative impact on the Group to some extent.

The Board of Directors has recommended a final dividend of HK3.0 cents per share. Together with the paid interim dividend of HK1.5 cents per share, total dividends for the year will amount to HK4.5 cents per share.

Metal Products

Metal products line of business comprises mainly of steel coil processing, steel wires, and steel wire rope products. Revenue for the year was HK$1,015,008,000, an increase of approximately 14% year-over-year. Profit before interest and taxation was HK$71,518,000, a decrease of approximately 15% year-over-year.

Unfavourable factors such as increase in the costs of raw materials and increase in environmental costs will have an impact on the majority of manufacturing sectors in the Mainland to some extent. Given the effort made by the team, the business of the metal products operation has undergone a normal development, especially with the stress on the development of mid-range to high-end products, which can effectively offset the pressure from the rising of various costs, and the results managed to remain relatively stable.

The challenges and difficulties currently exposed are within our expectation, and our determination and confidence of developing high-end products and striving to become the leader of the region or the industry will not be affected.

Pang Tak Chung
Chairman

CHAIRMAN'S STATEMENT

BUSINESS REVIEW *(continued)*

Metal Products *(continued)*

The steel wire rope products in Tianjin managed a stable performance in the year. Though the market competition was fierce, the scale of volume still recorded a solid improvement given the effort of the team, coupled with the continuous extension towards high-end products, which has effectively offset the pressure from the rising costs of raw materials and the increase of environmental costs.

The development of high-end lifting wire rope is one of the Group's top priorities in the year. Smooth development are seen in product research and manufacturing. Given the effort of the expert team and management personnel, the manufacturing techniques for the majority of high-end lifting wire rope have been fully grasped. The major task at the moment is market development. Development for high-end customers and high-end products requires time and patience, and the business will be more stable once it is accepted by market. As the lifting wire rope project is still at the preliminary development stage, various expenses for product and market development will have certain impacts against the profit performance of the year to some extent.

Building Construction Materials

Building construction materials line of business comprises mainly of ready mixed concrete, precast concrete products and distribution and processing of construction steel products.

Revenue for the year was HK$1,692,266,000, an increase of approximately 42% year-over-year. The increase of revenue was mainly attributable to the expansion of business and the increase in the price of steel which resulted in an increase of unit selling price. Profit before interest and taxation was HK$38,752,000, a decrease of approximately 41% year-over-year, which was mainly attributable to the loss recorded in the steel distribution business.

The significant price fluctuation of steel in the year and the China government resorted to stringent environmental regulations to diminish the steel capacity, which caused substantial changes to the supply and demand of the steel market in the year. The price of steel increased significantly and the steel distribution industry generally incurred losses from purchasing at higher prices while delivering for supply contracts at lower prices.

The operations of ready mixed concrete and precast concrete products remained stable. Insufficient works for the construction industry and market competition in the year resulted in a decrease of the price of concrete products and gross profit margin. The management is committed to squeeze out various costs including those of raw materials, and since the scale of volume reached the highest level in years, the results of the year are satisfactory.

Construction rebar cut-and-bend is a development that the Group has contributed significant resources in Hong Kong. It utilises automation equipment to replace the traditional and cumbersome materials preparation by construction site workers, and it is unanimously welcomed by the construction sector of Hong Kong. Among others, the Chief Executive, the Financial Secretary and various policy authorities such as the Development Bureau have expressed their support and are confident that off-site automate reinforcement steel rebar processing will be the direction where the construction sector of Hong Kong shall head to.

The expansion of steel processing plant and installation of new equipment in Tai Po Industrial Estate of Hong Kong are expected to be completed in the first quarter of 2018. However, the steel processing model in terms of factory-wise is still a novelty to Hong Kong and a time-consuming running-in process will be required with the sector. Therefore, it may take a while to generate benefits, but the Group is optimistic to the long term development of such business.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2017, the total bank balances and cash of the Group amounted to HK$383,167,000 (31st December, 2016: HK$574,941,000). As at 31st December, 2017, current ratio (current assets to current liabilities) for the Group was 1.46:1 (31st December, 2016: 1.77:1).

As at 31st December, 2017, the total borrowings of the Group amounted to HK$848,935,000 (31st December, 2016: HK$533,062,000).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group believes its exposure to exchange risk is limited. For the fluctuation of exchange rate of Renminbi, the Management will continue to monitor foreign exchange exposure of Renminbi and will take prudence measures to minimize the currency risk.

CAPITAL STRUCTURE

During the year, there was no material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 31st December, 2017 was 561,922,500 (31st December, 2016: 561,922,500). As at 31st December, 2017, the equity attributable to the shareholders of the Company amounted to HK$1,065,125,000 (31st December, 2016: HK$1,023,516,000).

As at 31st December, 2017, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.42:1 (31st December, 2016: -0.04:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2017, the total number of staff of the Group was 1,471. Remuneration is determined with reference to the performance, qualifications and experience of the employees concerned and the prevailing industry practice. The Group provides Mandatory Provident Fund entitlement to Hong Kong's employees. Moreover, share options may be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 5th June, 2014.

PROSPECT

For the manufacturing sector in the Mainland, as the government has enforced the environmental regulations more relentlessly and more stringent, which caused the closure of many small and medium manufacturing plants. While enterprises with competence and capable of meeting environmental requirements have edged out and their operating conditions have improved.

The manufacturing sector of Hong Kong is optimistic to end the effect of the "filibustering" by legislative councilors, and the funding approval for public works can be facilitated, which will allow more public works to be launched progressively in the second half of the year. The prospects of the two core pillars of business for the Group, metal products and building construction materials, are promising.

Some difficulties and challenges in 2017 remains to be extended to the new year and will have impact on the performance of the new year, however, it is believed that the pressure will be alleviated.

The challenges and difficulties currently exposed are within our expectation, and our determination and confidence of developing high-end products and striving to become the leader of the region or the industry will not be affected. The management is confident that with unremitting effort, a solid foundation for the long term development of the Group can be established and the investment value of shareholders can be improved.

CHAIRMAN'S STATEMENT

ACKNOWLEDGEMENT

I personally take this opportunity to thank each employee and management staff in abundance for their contributions and past efforts. I would also like to thank all customers, shareholders, banks and business associates who had supported the Group along the way. With your continuing support, the Group endeavours to deliver good results in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 23rd March, 2018

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Tak Chung, aged 69, has been the Chairman and Managing Director of the Company since 1996. Mr. Pang is the founder of Golik Metal Industrial Company Limited ("Golik Metal") in 1977 and a director of Golik Investments Ltd., which is wholly owned by Mr. Pang and a substantial shareholder of the Company. He is responsible for strategic planning, overall management and corporate development of the Group. He has over 42 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. He also has extensive experience in international trading practices. Furthermore, Mr. Pang is the honorary citizen of both Jiangmen and Heshan, Guangdong Province. Mr. Pang is the father of Ms. Pang Wan Ping, Executive Director of the Company.

Mr. Ho Wai Yu, Sammy, aged 62, is the Vice Chairman and Company Secretary of the Company and finance director of the Group responsible for finance, accounting, information technology development, legal and corporate matters of the Group. Mr. Ho is a Fellow Member of Association of Chartered Certified Accountants, an Associate Member of Hong Kong Institute of Certified Public Accountants, a Full Member of Chartered Management Institute in the United Kingdom, a Full Member of Hong Kong Computer Society, an Ordinary Member of Hong Kong Securities and Investment Institute and a founder and permanent honorable president of IT Accountants Association. He has over 37 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Ms. Pang Wan Ping, aged 40, has been appointed as Executive Director of the Company and project director of the Group since 2013. She is responsible for coordinating various activities of the Group's existing operations, identify new project and its development. Ms. Pang is a director of Golik Investments Ltd., a substantial shareholder of the Company. Ms. Pang holds a Bachelor of Architecture Degree, a Master Degree of Commerce majoring in Finance, and a Master Degree of Legal Studies, graduated all from The University of New South Wales, Australia. She is a Registered Architect with the New South Wales Architects Registration Board in Australia, a Member of the Australian Institute of Architects, a Chartered Member of the Royal Institute of British Architects and an Associate Member of the Hong Kong Institute of Architects. Ms. Pang joined the Company in 2009 and has over 15 years of experience in property development and construction industry. Prior to the Group, she worked at Goodman as a Registered Architect in the property development division. Furthermore, Ms. Pang is a member of the Chinese People's Political Consultative Conference Tianjin Municipal Committee. Ms. Pang is the daughter of Mr. Pang Tak Chung, the Chairman and Managing Director of the Company.

Mr. Lau Ngai Fai, aged 60, has been appointed as Executive Director of the Company in 2015. He is responsible for running major operations, marketing strategy planning and overall management of building construction materials segment of the Group. Mr. Lau holds a Bachelor Degree in Civil Engineering with Honors from University of London, England. He had worked for managerial position in various organizations, including Hong Kong Government Public Works Departments and Ho Tin and Associates Consulting Engineers Limited; since 2006, he has served as a director in Black & Veatch Hong Kong Limited and subsequently became an associate vice-president in 2011. Mr. Lau is a Fellow Member of The Hong Kong Institution of Engineers and a director of Hong Kong Construction Materials Association. With over 33 years involved in the construction field, Mr. Lau has gained extensive industrial knowledge and management experience both from local and international organization, he specializes in civil engineering, infrastructure, site formation, sewerage works, drainage works, traffic engineering and project management.

Mr. Yu Kwok Kan, Stephen, aged 62, has been appointed as an Independent Non-executive Director of the Company since 1997 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Yu is the Certified Practising Accountant and senior consultant of VL Tax & Accounting Pty Ltd in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 37 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Yat Yan, aged 62, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. He holds MBA from the University of Macau. Mr. Chan is the general manager of Modern Marketing Ltd. He has held senior management positions in corporate management, marketing and corporate communication and achieved many accomplishments with various multi-national corporations and leading Fortune 500 companies in the PRC for many years, including BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He also has extensive knowledge and experience in the PRC market.

Mr. Lo Yip Tong, aged 60, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Lo is the proprietor of Y.T. Lo & Co., Certified Public Accountants and has over 32 years of experience in statistical, accounting, auditing and financial restructuring work. He is a Member of Hong Kong Institute of Certified Public Accountants and a Certified Public Accountant (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

CORPORATE GOVERNANCE REPORT

The Group is committed to the maintenance of good corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

CORPORATE GOVERNANCE PRACTICES

The Company has complied with code provisions as set out in the CG Code for the year ended 31st December, 2017 except the followings:

Code provision A.2.1, the Company does not separate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung currently holds both positions. As the board of directors (the "Board") believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of its business efficiently.

Code provision A.5.1, the Company does not propose to establish a nomination committee for the time being as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of their skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

Code provision A.5.6, the Company does not have a policy concerning diversity of board members for the time being. In designing the Board's composition, the Company will consider from all aspects, all directors' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2017.

CORPORATE GOVERNANCE REPORT

THE BOARD

The Board currently comprises four Executive Directors and three Independent Non-executive Directors. The members of the Board during the year and up to the date of this report are:

Executive Directors

Mr. Pang Tak Chung *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Ms. Pang Wan Ping
Mr. Lau Ngai Fai

Independent Non-executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

The Directors acknowledged their responsibilities for the preparation of the accounts of the Group.

The Board is responsible for overseeing overall management of business and strategic development, deciding business and investment plans and exercising other powers, functions and duties conferred by shareholders at the general meeting. All directors have full and timely access to all relevant information in relation to the Company as well as the advices and services of the Company Secretary, if and when required, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed.

For a director to be considered independent, the director must not have any direct or indirect material relationship with the Group. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers each of the Independent Non-executive Directors to be independent.

The Directors and Officers' liability insurance has been arranged for all Directors and officers of the Group.

TRAINING AND SUPPORT FOR DIRECTORS

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all directors received adequate reading materials for training, regular updates and important amendments to the Listing Rules and other regulatory requirements.

CORPORATE GOVERNANCE REPORT

TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and subject to re-election.

The Company has entered into service contracts with the Directors (including Non-executive Directors) which set out key terms and conditions relative to their appointments. All of them have agreed and accepted with the terms and conditions under their respective service contracts.

The service contracts of Messrs. Pang Tak Chung and Ho Wai Yu, Sammy, the Executive Directors, and all Non-executive Directors have been renewed on 28th February, 2018 and the services period be changed from a term of three years to an annual renewable basis.

All directors of the Company shall be subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung currently holds both positions, as explained in the section of Corporate Governance Practices.

COMPANY SECRETARY

Mr. Ho Wai Yu, Sammy is the Company Secretary, who is also an Executive Director of the Company. He supports the Board, ensures good information flow within the Board and Board policy and procedures are followed, advises the Board on governance matters and arrange continuous professional development to the Directors. His biography is set out in the "Biography of Directors and Senior Management" of this annual report.

BOARD MEETINGS

The Board met four times regularly during the year. At the meetings the directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed respectively the quarterly, interim and annual results, as well as other significant matters. Daily operational matters are delegated to the management.

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all directors. Draft copies of the minutes have been circulated to all directors for comment and approval as soon as practicable after each meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company established its Audit Committee on 5th January, 1999 with written terms of reference which are in line with the CG Code and available on the Company's website. The Audit Committee comprises Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan and Lo Yip Tong who are all Independent Non-executive Directors. The Audit Committee shall meet at least twice a year to review the Group's financial reporting process and internal controls.

During the year, the Audit Committee met four times to review the completeness, accuracy and fairness of the Group's financial statements, financial reporting system, internal control system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's interim and annual results have been reviewed by the Audit Committee, who is of the opinion that the relevant financial statements of the Group are complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made. The adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function has also been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 21st April, 2005 with written terms of reference which are in line with the CG Code and available on the Company's website. In order to comply with the requirements under the CG Code, a majority of the members of Remuneration Committee has to be independent non-executive directors. Currently, the Remuneration Committee comprises Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan and Lo Yip Tong who are all Independent Non-executive Directors.

The Remuneration Committee shall meet at least once a year to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and on the establishment of formal and transparent procedures for developing policy on such remuneration.

The Remuneration Committee held one meeting during the year and discussed and reviewed the remuneration package of executive directors and the remuneration policy for executive directors for the year ended 31st December, 2017.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on their professional qualifications and experience.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2017

Name	Number of Meetings attended/held during the year			
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Annual General Meeting
Executive Directors				
Mr. Pang Tak Chung	4/4	N/A	N/A	1/1
Mr. Ho Wai Yu, Sammy	4/4	N/A	N/A	1/1
Ms. Pang Wan Ping	4/4	N/A	N/A	1/1
Mr. Lau Ngai Fai	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1	1/1
Mr. Lo Yip Tong	4/4	4/4	1/1	1/1

RISK MANAGEMENT AND INTERNAL CONTROL

An effective risk management is important to achieve the Group's strategic goals. During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board has overall responsibility to ensure that the Group establishes and maintains effective risk management and internal control systems. The systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The management of the Group has established the policies and procedures in areas of risk domains, including but not limited to financial, business and strategic, operational for safeguarding assets against any unauthorised use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Group's risk management and internal control systems on an ongoing basis. Periodic meetings are held and guidance are issued to the directors and management where appropriate, to raise awareness of best corporate governance practices. The Group also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest.

Economic and Market conditions

The industries in which the Group operates are affected by the economic and market conditions of the various places where the operations are located. Slowdown of the Mainland economy and volatility in commodity prices continue to pose risks to the recovery and stability of the global economy. The Group is exposed to the risk of negative developments in global and regional economies, and financial and property markets, either directly or through the impact on the Group's joint venture partners, bankers or suppliers.

Divisional and functional management are responsible for overseeing the daily operations of their own business units, and they are accountable for the conduct and performance of their own operations within targets and objectives as agreed by the management of the Group. Budgets are prepared and approved prior to being adopted. Proper authorisation procedures are in place for the appraisal, review and approval of significant projects and major capital investments. Results of operations against budgets are reviewed regularly in the management meetings, and business forecasts are constantly refined to reflect the current business situation.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Materials and parts procurement

The principal activities of the Group are manufacturing and sales of metal products and building construction materials. The Group procures raw materials and parts from outsiders. The valuation of the steel-related inventories is subject to fluctuation of market prices of steel. When there is a downward trend in the market, the selling price of the steel products of the Group may decrease which imposes pressures to the net realizable values of steel products. Hence, the Group closely monitors and implements stringent measures in purchasing its raw materials and parts.

The Group uses strict review criteria for selection of suppliers. Evaluation on any suppliers for the initial provision of merchandise shall be conducted by the procurement department. Such evaluation shall be in compliance with standards regarding safety, performance of suppliers, business reputation, sustainability and corporate social responsibility. The Group will conduct irregular review on the continued suppliers, including making an inspection visit to the production workshops of the suppliers.

The management estimates the net realizable values for steel products primarily based on market condition and latest selling price of steel products. Moreover, the management also reviews the usability and salability of inventories periodically, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages or sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. Where the actual net realizable values of the inventories are less than expected, further write-down of inventories may rise. The management reviews the inventory ageing analysis to assess whether long aged and slow-moving inventories are usable or saleable, and writes down obsolete items based on historical and subsequent usages or sales, nature and quality of inventories.

Intellectual property

Intellectual property is a general term for the set of intangible assets owned and legally protected by the Group from outside use or implementation without consent. With the fast expanding adoption of internet and networking operational technology, cyberattacks around the world are occurring at a higher frequency and intensity. The Group's assets are exposed to attack, damage or unauthorised access in the cyberworld. The Group had implemented a series of data protection measures to minimize the cybersecurity risk. Stemming from its ability to provide a firm with competitive advantages, defining intellectual property as an asset aims to provide it the same protective rights as physical property. Obtaining such protective rights is critical as it prevents replication by potential competitors.

Intellectual property is regarded as a significant risk area for the manufacturing operations within the Group. Managing risks in the usage of technology application in the manufacturing process is continue to advance and mature as the Group invested in maintaining high level of automation process. Enabling technologies, such as cloud computing, will allow for greater sharing of intellectual property in defined ways as firms look for heightened efficiencies. Concurrent to this trend, the increased sharing of proprietary material creates complex questions that will be central to defining risk management strategies.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Impact of local, national and international regulations

Local business risks specific to the Mainland and Hong Kong in which the Group may have an impact on the businesses, financial condition, operating results or growth prospects. The Group is, and may increasingly become, exposed to different and changing political, social, legal, tax, regulatory, environmental and listing requirements at the local, national or international level. Moreover, new guidelines, policies or measures by the government, whether fiscal, tax, regulatory, environmental or other competitive changes, may lead to an increase in additional or unplanned operating expenses and capital expenditures, increase in market capacity, reduction in government subsidies, pose a risk to overall investment return of the Group's businesses and may delay or prevent the commercial operation of an individual business with resulting loss in revenue and profit, which may adversely affect the Group's businesses, financial condition, results of operations or growth prospects.

The Group has taken a proactive approach to monitor changes in local, national and international regulations. Adequate risk mitigation measures are in place and are constantly reviewed for enhancement. Under the supervision of the Company Secretary and in conjunction with external legal advisors, the Group regularly reviews adherence to relevant rules and regulations, laws, listing rules and other requirements and standards of compliance practices.

Handling and dissemination of inside information

The Group regulates the handling and dissemination of inside information according to the requirements of the Securities and Futures Ordinance and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties which may materially affect the trading price or volume of the shares on the market. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact which requires equal disclosure of both positive and negative facts.

In addition to the review of risk management and internal control undertaken within the Group, the external auditor also assesses the adequacy and effectiveness of certain key risk management and internal control as part of the statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal control will be made.

AUDITOR'S REMUNERATION

During the year ended 31st December, 2017, the fees paid/payable to the principal auditor of the Company, Deloitte Touche Tohmatsu ("Deloitte"), in respect of audit and non-audit services provided by Deloitte were as follows:

Nature of services	**Amount** HK$'000
Review fee for 2017 interim results	392
Audit fee for 2017 final results	2,491
Audit service fee for Occupational Retirement Schemes	7
Audit service fee for continuing connected transactions	30
Total fees	2,920

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to enhance communication and relationship with shareholders, general meeting of the Company provides a direct forum for communication between shareholders and the Board. General meeting includes annual general meeting (the "AGM") and special general meeting (the "SGM"), the AGM shall be convened by the Board while the SGM can be convened by the Board or shareholders. Other than the AGM, all general meetings of the Company are called the SGM.

The AGM allows the Company's directors to meet and communicate with shareholders yearly, a circular with form of proxy and notice of the AGM is dispatched to all shareholders at least 20 clear business days prior to the meeting date, setting out detail of each proposed resolution, poll voting procedure and other relevant information. In the AGM, the chairman would demand poll for each resolution being put forward to be voted in accordance with the Company's Bye-laws. After the AGM, all poll voting results would be published on the websites of the Stock Exchange and the Company respectively.

Apart from general meetings, the Company's website also acts as an efficient channel to provide both financial and non-financial information for shareholders, including corporate matters, business overview, interim and annual reports, press releases, announcements, circulars as well as overall industry development to enable shareholders to have a timely and an updated idea of the Group.

SHAREHOLDERS' RIGHTS

The way in which shareholders can convene a SGM and the procedures for making proposals

In accordance with the Company's Bye-laws, shareholders altogether holding not less than one-tenth of the Company's paid-up capital carrying voting right in general meetings of the Company shall at all times have the right by a written requisition to the Board to demand a SGM to transact proposal(s) requested and such SGM shall be held within 2 months from the date of the requisition deposited.

Within 21 days of such deposition, if the Board failed to convene such a meeting for shareholders, the meeting requisitionists may convene the SGM themselves to do the same in accordance with the Company's Bye-law.

Names and shareholdings registered with the Company of the requisitionists and their proposal(s) to be transacted in the SGM must be stated clearly in the written requisition and such requisition shall be deposited to the Company's head office in Hong Kong.

The procedures for sending enquiries to the Board

Any enquiries from shareholders can be made by telephone, facsimile or email to the Company during office hours, or by letter sent to the Company's head office in Hong Kong. Shareholders may also raise enquiries to the Board anytime through JOVIAN Financial Communications Limited, an experienced investor relations consultant engaged by the Company.

CORPORATE SOCIAL RESPONSIBILITY REPORT

SUSTAINABILITY

The Group aspires to be a positive contributor to our communities, our society and our environment. Through our conscious and deliberate participation in a variety of initiatives and activities, the Group aims to continuously improve on our sustainable performance in a manner that is accountable to all our stakeholders.

The Group's purpose is to realise the full potential of our two core pillars of business with solutions that meets that aspirations of our shareholders, business partners, customers and communities.

Sustainability is embedded in our corporate strategy and engrained in our organisational culture. This principle underpins our business objectives and actions to promote good governance and business processes in our day-to-day operations.

The following pages mapped out some of the sustainability achievements during the year under review. As a group, we are continuing to review, expand and embed a detailed sustainability agenda and we will continue to integrate a sustainability framework into our day-to-day operations so that it remains an important part of what we do.

Environmental Protection

The Group is committed to pursue a high standard of environmental management throughout its operations. We strive for continual improvement of environmental performance, the efficient use of resources, and the minimisation or prevention of pollution.

The Group also seeks to comply with applicable environmental laws, regulations and mandatory standards locally or to the relevant country. The Group will continue to target to minimise or prevent adverse environmental impacts resulting from its operations, products and services.

Furthermore, the Group has adopted certain practices to deal with environmental protection, the most important one is the continuous investment in facilities featuring the latest technology, leading to reduced energy consumption and gaseous emissions, thus improving air quality.

For Financial Year 2017, we collected and measured the environmental figures from 4 plants located in Hong Kong under Building Construction Materials sector. The findings are summed up in following paragraphs and also in the company performance and data table.

The emissions generated by selected plants are carbon emissions and these are distinguished into direct (Scope 1) and indirect (Scope 2) carbon emissions. The total direct and indirect carbon emissions for the Financial Year 2017 was 3,494 tonnes of CO_2e. The total direct and indirect carbon emissions (Scope 1 & 2) per production volume was 0.0086 tonne of CO_2e. Other emissions figures are: nitrogen oxides (NOx) emission was 5.14 tonnes, sulfur oxides (SOx) emission was 13 kgs and particulate matter (PM) emission was 369.9 kgs. Since we started collecting figures from 2017, there is no comparison analysis with previous years.

The Group constantly aims to carry out its business activity in line with the principles of sustainable growth and thus minimise its carbon contribution to the environment. Our actions to stabilise and/or minimise carbon emissions are of substantial importance because they support its operational efficiency. By doing so, the Group monitors carbon emissions, on a monthly basis and implements timely corrective actions in order to ensure that its annual carbon emissions are in line with the legal restrictions and, most importantly, are kept at the lowest possible level.

CORPORATE SOCIAL RESPONSIBILITY REPORT

SUSTAINABILITY *(continued)*

Environmental Protection *(continued)*

It is embedded in our Group's environmental policy that we manage our hazardous and non-hazardous wastes in a sustainable way. We always aim to reduce waste output and maximise the use of recycling and reuse and recovery methods, target to bring the environment impacts to its minimum. In order to fulfil this intention, the plants selected under the Building Construction Materials sector have developed and applied relevant practices, which are included under the ISO 14001 environmental management system.

For Financial Year 2017, the total quantity of chemical waste was 1.6 tonnes, which is 0.0030 tonne per production volume. The total quantity of non-hazardous waste produced was 14,000 tonnes which is 0.035 tonne per production volume. Where feasible, the materials to be recycled are utilised inside the plants of the Group's subsidiaries. Where waste cannot be recycled or utilised internally, this is done through collective waste management systems or licensed waste contractors.

Electricity and water supply to the Group is mainly purchased from the government. For Financial Year 2017, the total electricity consumption for the selected plants was 1,354,929 kWh, 3.35 kWh per production volume. The total water consumption was 99,857 m^3, which is 0.25 m^3 per production volume. The Group's direction is continue to implement effective energy allocation and utilisation, reducing energy and resources wastages. Furthermore, we continue to conduct periodic energy audit for our plants in order to formulate and adopt measures on energy conservation and emission reduction so we can consume the energy in a more efficient and effective manners.

We also implement green manufacturing approach for our ready mixed concrete operation, we aim to maximise our resources efficiency and actively recycle waste water during its production process. Logistically, we continue to keep track of the average loading capacity of each trucks and make sure each loading volumes maintain at least 80% of capacity in order to reduce any environmental impacts. Additionally, our ready mixed trucks are all EURO 5 trucks as they intended to reduce energy consumption and thus the carbon emissions.

Company Performance and Data Table

Item	HKEx Indicator	Year 2017
Emissions data		
Nitrogen oxides (NOx) emission (tonnes)	A1.1	5.14
Sulfur oxides (SOx) emission (kgs)	A1.1	13.00
Particulate matter (PM) emission (kgs)	A1.1	369.90
Carbon emissions		
Total direct and indirect carbon emissions (tonnes of CO_2e)	A1.2	3,494
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonne of CO_2e)	A1.2	0.0086
Hazardous waste		
Chemical waste produced (tonnes)	A1.3	1.6
Total hazardous waste produced per production volume (tonne)	A1.3	0.0030
Non-hazardous waste		
Solid waste produced (tonnes)	A1.4	14,000
Total non-hazardous waste produced per production volume (tonne)	A1.4	0.035
Resources consumption		
Electricity consumption (kWh)	A2.1	1,354,929
Electricity consumption per production volume (kWh)	A2.1	3.35
Water consumption (m^3)	A2.2	99,857
Water consumption per production volume (m^3)	A2.2	0.25

CORPORATE SOCIAL RESPONSIBILITY REPORT

SUSTAINABILITY *(continued)*

Sustainable Operating Practices

The Group is committed to upholding high standards of business integrity, honesty and transparency in its business dealings. The Group is also committed to manage and continue to strengthen our supply chain in a socially and environmentally responsible manner and source from suppliers that are putting environmental and ethical performance as priority.

The Group also maintain a strong and mutually beneficial relationship with our customers that enable us to provide high-quality, sector-leading products and services and deliver engagement and positive experiences that are appropriate to local contexts.

The Group complies fully with the local laws, the international guidelines and industry standards applicable with its activity sectors in relation with the design and production of its products and the methods it employs for their promotion and marketing. The Group also places particular emphasis on the quality of its materials, products and applies innovative production processes that improve the quality, safety and environmental impacts of each product. We strive to apply the strict application of the procedures under the ISO 9001 Quality Management System in some of our core operations. Our commitment on innovative approach in manufacturing our products defines the level of the quality offered to our customers. In addition, the company has obtained the ISO 9001:2008 Quality Certificate for its products under our Building Construction Materials sector.

Regarding the provision of verifiable and clear information on our products for the purposes of labelling, the Group complies fully with the relevant requirements, for example, our steel products carry GOLIK bar pattern and/or with a company tag attached.

The Group is firmly committed to the prevention of corruption and bribery across all areas of the organisation's operation. Our principle is to operate without bribery or corruption, and clearly communicate this principle to all personnel and applicable third parties with whom we interact to achieve our business objectives. The Group is committed to conducting our operations in a lawful, ethical and professional manner. There were no legal cases regarding corrupt practices during the reporting period.

Workplace Environment

The Group is committed to foster the well-being of our staffs and provide them with a safe and healthy workplace environment. Recognising the value of our people's contribution to our business evolution and future growth, we are committed to the maintenance of labour peace and complied with the relevant laws and regulation relating to compensation and dismissal, recruitment and promotion, working hours and rest period.

The Group believes that all injuries, occupational illnesses and incidents are preventable. We continue to educate our staffs, make them focus on the importance of safety in all of our business activities and make workplace health and safety becomes everyone's accountability.

The Group is committed to encouraging diversity in the workplace and the provision of a work environment that is free from discrimination and promotes equal opportunity for all; and improving diversity – in particular – the number of females in leadership and other traditionally male dominated roles within the business.

CORPORATE SOCIAL RESPONSIBILITY REPORT

SUSTAINABILITY *(continued)*

Workplace Environment *(continued)*

The Group encourages our employees to develop and advance their careers in our company. We also actively promote continuous learning initiatives and develop a range of training programs for our employees. The offering of trainings comprised of educational events and course on most various topics related to job-specific as well as practices at the workplace.

The Group is committed to respecting the labour and human rights of all our employees. The Group insists on application of human rights in all its operations and works towards eliminating any human rights violating practices from the Group's as well as its subcontractors' and suppliers' operating procedures. We regard every employee and everyone involved in the manufacturing of our products to have the right to be treated well and with respect by supervisors, subordinates and colleagues. We do not accept discrimination in any form. We do not condone or tolerate the use of child labour or forced or compulsory labour in any of our operations.

Contributing to the Community

The Group strongly believes that contributing to the community is very crucial while growing our business at the same time. During the year under review, the Group continued to actively support meaningful activities in the community and donated to a number of organisations, charities and people in need. Our mission is to focus on the perceived needs of the society at the time, strived to contribute and bringing warmth and caring to the selected communities.

In Financial Year 2017, we once again sponsored HK$300,000 to the North District Soccer Recreation Club Limited as Gold Sponsor for their soccer team and named it as "North District Golik". We continued to believe young athletes is our future and that they played a vital role in the future of Hong Kong – bringing positive energy and spirit to our younger generations.

North District Golik soccer team

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2017.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, a joint venture and an associate are set out in notes 44, 19 and 20 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

An interim dividend of HK1.5 cents per share, amounting to HK$8,429,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3.0 cents per share to the shareholders whose names appear on the register of members of the Company on 21st June, 2018, amounting to HK$16,858,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$102,750,000. In addition, property, plant and equipment with carrying values of HK$490,000 were disposed of during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share option scheme of the Company are set out in notes 32 and 33 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2017 were as follows:

	2017 **HK$'000**	2016 HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**69,148**	103,699
	135,039	169,590

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Pang Tak Chung *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Ms. Pang Wan Ping
Mr. Lau Ngai Fai

Independent Non-executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

In accordance with bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Pang Tak Chung, Ho Wai Yu, Sammy and Chan Yat Yan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31st December, 2017, the Company's non-executive directors were appointed for a specific term. All directors (including independent non-executive directors) are also subject to retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(1) Long position

Shares of the Company

	Number of ordinary shares			
Name of directors	Personal interest (held as beneficial owner)	Corporate interests (held by controlled corporation)	Total	Percentage of issued shares
Mr. Pang Tak Chung (Note)	159,034,708	195,646,500	354,681,208	63.12%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Lau Ngai Fai	100,000	–	100,000	0.02%

Note: The 195,646,500 shares are held by Golik Investments Ltd. which is wholly owned by Mr. Pang Tak Chung.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(1) Long position *(continued)*

Share options

No share option was outstanding as at 1st January, 2017 and 31st December, 2017. As at the date of this annual report, the total number of share options available for issue under the share option scheme was 56,192,250, representing 10% of the issued share capital of the Company. Particulars of the share option scheme of the Company are set out in note 33 to the consolidated financial statements.

(2) Shares in subsidiaries

As at 31st December, 2017, Mr. Pang Tak Chung had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 31st December, 2017, none of the directors and chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the year, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Company's directors and their respective associates has any competing interests which require to be disclosed pursuant to Rule 8.10 of the Listing Rules during the year.

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2017, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Number of ordinary shares held	Percentage of issued shares
Golik Investments Ltd.	195,646,500	34.82%

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 31st December, 2017, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries 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 year.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 40% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 13% of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) have any interest in any of the Group's five largest customers or suppliers.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

The emolument policy of the directors of the Company is decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 33 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Board confirms that the Company has maintained during the year a sufficient public float as required under the Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$358,000.

CORPORATE SOCIAL RESPONSIBILITY

Details of Corporate Social Responsibility Report of the Group are set out on pages 21 to 24 of this annual report.

DIRECTORS' REPORT

CONNECTED TRANSACTION

Put Option exercised in respect of 23% equity interest in Fulwealth Metal Factory Limited ("Fulwealth")

Reference is made to announcements of the Company dated 6th September, 2011 and 1st December, 2016 in relation to the Option Deed and the Supplemental Option Deed, pursuant to which the Company granted the Put Option to Messrs. Cheung Tak Hang and Poon Wai Ping ("Cheungs") exercisable till 31st December, 2021.

Fulwealth is a non wholly owned subsidiary of the Company and Cheungs are Fulwealth's directors and substantial shareholders. Accordingly, Cheungs are connected persons of the Company at subsidiary level. The transaction constituted a discloseable and connected transaction of the Company under the Listing Rules, details of the terms could be found in the circular dated 27th September, 2011 and the announcement dated 1st December, 2016.

Reference is also made to an announcement of the Company dated 28th April, 2017, Cheungs have exercised the Put Option to sell to the Company 4,600,000 ordinary shares (the "Option Shares") of HK$1.00 each in the share capital of Fulwealth, representing 23% of the issued share capital of Fulwealth, at a total consideration of HK$31,050,000 (representing an exercise price of HK$6.75 per Option Share), pursuant to the terms and conditions of the Option Deed. Completion of the said share transfer took place on the same day, upon which Fulwealth has become a wholly owned subsidiary of the Company.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to respective circulars dated 20th January, 2011 and 6th September, 2013 and announcements dated 24th June, 2016, 30th June, 2016 and 20th July, 2016. Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun"), a subsidiary of the Company, entered into the following agreements with Tianjin Metallurgy Group Flourish Steel Industrial Co., Ltd. ("Flourish Steel").

Flourish Steel is a wholly owned subsidiary of TJ Goldsun's substantial shareholder and hence a connected person of the Company. Accordingly, the transactions constituted connected transactions of the Company under the Listing Rules, details of the terms could be found in aforesaid circulars and announcements.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(a) The Property Lease Agreements

On 30th December, 2010, TJ Goldsun entered into the Previous Property Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to lease the Existing Properties to TJ Goldsun for a term of 20 years commencing from 1st January, 2011 to 31st December, 2030. The annual caps for the transaction under the Previous Property Lease Agreement had been renewed and approved for the three years ending 31st December, 2018.

On 24th June, 2016, TJ Goldsun entered into the New Property Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to (i) lease the Additional Properties to TJ Goldsun for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036; and (ii) extend the term of the lease of the Existing Properties under the Previous Property Lease Agreement to 30th June, 2036. The annual caps for the transaction under the New Property Lease Agreement had been approved for three years ending 31st December, 2018.

The respective total rental and utilities expenses under the Property Lease Agreements paid or payable by TJ Goldsun for the year ended 31st December, 2017 which did not exceed the following respective annual caps:

	Amount paid or payable by TJ Goldsun	**Annual caps amount**
	RMB	RMB
Rental expenses for the Existing Properties under the Previous Property Lease Agreement	5,500,000	6,050,000
Rental expenses for the Additional Properties under the New Property Lease Agreement	5,703,125	5,703,125
Utilities expenses	37,072,612	67,000,000

(b) The Processing Agreements

On 30th December, 2010, TJ Goldsun entered into the Previous Processing Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to provide processing service of steel wires to TJ Goldsun for a term of 20 years commencing from 1st January, 2011 to 31st December, 2030.

On 24th June, 2016, TJ Goldsun entered into the New Processing Agreement with Flourish Steel to reduce the scope of processing services of steel wires to be provided by Flourish Steel for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the New Processing Agreement had been approved for three years ending 31st December, 2018.

The respective processing charges under the New Processing Agreement paid or payable by TJ Goldsun for the year ended 31st December, 2017 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun	**Annual cap amount**
	RMB	RMB
Processing charges under the New Processing Agreement	3,939,242	7,000,000

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(c) The Equipment Lease Agreements

On 1st August, 2013, TJ Goldsun entered into the Previous Equipment Lease Agreement with Flourish Steel, pursuant to which TJ Goldsun agreed to lease the equipment for part of the manufacturing process of steel wire ropes for elevators and electric cables to Flourish Steel for a term of 20 years commencing from 1st August, 2013 to 31st July, 2033.

On 24th June, 2016, TJ Goldsun entered into the New Equipment Lease Agreement with Flourish Steel to reduce the number of equipment leased to Flourish Steel for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the New Equipment Lease Agreement had been approved for three years ending 31st December, 2018.

The respective rental income received or receivable by TJ Goldsun under the New Equipment Lease Agreement for the year ended 31st December, 2017 which did not exceed the following annual cap:

	Amount received or receivable by TJ Goldsun	**Annual cap amount**
	RMB	RMB
Rental income under the New Equipment Lease Agreement	285,727	285,727

(d) The Steel Wire and Steel Wire Rope Equipment Lease Agreement

On 24th June, 2016, TJ Goldsun entered into the Steel Wire and Steel Wire Rope Equipment Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to lease the equipment for production stage 2 and production of high-end steel wire rope products located and installed in the Additional Properties to TJ Goldsun for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the Steel Wire and Steel Wire Rope Equipment Lease Agreement had been approved for three years ending 31st December, 2018.

The rental expenses under the Steel Wire and Steel Wire Rope Equipment Lease Agreement paid or payable by TJ Goldsun for the year ended 31st December, 2017 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun	**Annual cap amount**
	RMB	RMB
Rental expenses	3,868,076	4,030,452

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS *(continued)*

All Independent Non-executive Directors of the Company had reviewed and confirmed that the above transactions for the year ended 31st December, 2017 were entered into:

(a) in the ordinary and usual course of the Company's business;
(b) on normal commercial terms or better; and
(c) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the transactions and has issued a letter to the Board set out the confirmation required under Rule 14A.56 of the Listing Rules and a copy of which has been provided by the Company to the Stock Exchange.

To the extent of related party transactions set out in note 39 to the consolidated financial statements which constituted connected transactions as defined in the Listing Rules, the Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

AUDITOR

The consolidated financial statements of the Company have been audited by Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be proposed to the forthcoming annual general meeting to re-appoint Deloitte as auditor of the Company.

On behalf of the Board

Pang Tak Chung
Chairman

Hong Kong, 23rd March, 2018

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF GOLIK HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Golik Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 114, which comprise the consolidated statement of financial position as at 31st December, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 31st December, 2017, 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"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter

Allowance for doubtful debts

We identified the allowance for doubtful debts as a key audit matter due to the significant management judgement and estimates involved in the identification of doubtful debts and measurement of allowance for doubtful debts.

As disclosed in note 4 to the consolidated financial statements, allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be recoverable. The identification of doubtful debts is based on ageing categories and subsequent settlements of the receivables. Repayment history and credit worthiness of debtors, and business relationship with debtors are taken into consideration for the measurement of the amount of allowance for doubtful debts. As at 31st December, 2017, the carrying amount of trade and bills receivables was HK$737,412,000 (net of the allowance for doubtful debts of HK$27,577,000).

How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the allowance for doubtful debts included:

- Understanding and testing the Group's key controls in relation to the identification and measurement of allowance for doubtful debts;
- Testing, on a sample basis, ageing categories and settlements during the year and subsequent settlements of receivables by tracing to invoices/delivery notes and bank slips;
- Discussing with the management for the assumptions and judgements made in assessing collectability of trade receivables and evaluating the reasonableness of allowance for doubtful debts with reference to repayment history and credit worthiness of debtors, and business relationship with the debtors; and
- Assessing the historical accuracy of the allowance assessment to evaluate the appropriateness of the basis made by the management in the current year.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(continued)*

Key audit matter

Write-down of inventories

We identified the write-down of inventories as a key audit matter due to significant management judgement and estimates involved in the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories by the management.

As set out in note 4 to the consolidated financial statements, the management estimates the net realisable values for steel products primarily based on the market condition and the latest selling prices of steel products. Moreover, the management reviews the usability and salability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages/sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. As at 31st December, 2017, the carrying amount of inventory was HK$595,609,000 (net of the write-down of inventories of HK$33,115,000).

How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the write-down of inventories included:

- Understanding and testing the Group's key controls in relation to the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories;
- Tracing the ageing categories, and the usage/sales of inventories during the year and subsequent to the end of the reporting period, to the invoices, production reports and delivery notes, on a sample basis;
- Testing the net realisable values of inventories by reference to latest invoice prices in subsequent sales or the market prices, on a sample basis;
- Discussing with the management for the assumptions and judgement made in assessing net realisable values and evaluating the reasonableness of the management's assessment of usability and salability of inventories with reference to historical record, quality and nature of the inventories; and
- Assessing the historical accuracy of write-down of inventories to evaluate the appropriateness of the basis made by the management in the current year.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

INDEPENDENT AUDITOR'S REPORT

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

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

From the matters communicated with those charged with governance, 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 the independent auditor's report is Luk Kam Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23rd March, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**2,742,207**	2,160,454
Cost of sales		**(2,379,761)**	(1,762,210)
Gross profit		**362,446**	398,244
Other income	6	**22,082**	23,824
Interest income		**2,352**	3,068
Selling and distribution costs		**(108,442)**	(95,943)
Administrative expenses		**(187,933)**	(172,614)
Other gains and losses	7	**28,437**	(13,326)
Other expenses		**(28,123)**	(14,645)
Finance costs	8	**(16,408)**	(12,184)
Share of result of a joint venture		**41**	705
Share of result of an associate		**(5,284)**	(6,448)
Profit before taxation		**69,168**	110,681
Income taxes	9	**(20,279)**	(25,528)
Profit for the year	10	**48,889**	85,153
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		**28,135**	(24,649)
– Release from exchange reserve upon deregistration of a subsidiary		**(908)**	–
– Net fair value gain on available-for-sale investments		**750**	630
– Fair value loss on investment properties		**–**	(110)
Other comprehensive income (expense) for the year		**27,977**	(24,129)
Total comprehensive income for the year		**76,866**	61,024
Profit attributable to:			
Shareholders of the Company		**42,432**	72,670
Non-controlling interests		**6,457**	12,483
		48,889	85,153
Total comprehensive income attributable to:			
Shareholders of the Company		**65,792**	53,674
Non-controlling interests		**11,074**	7,350
		76,866	61,024
		HK cents	HK cents
Earnings per share	14		
Basic and diluted		**7.55**	12.93

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current Assets			
Investment properties	16	**3,980**	3,910
Property, plant and equipment	17	**503,205**	426,770
Prepaid lease payments	18	**13,647**	13,302
Interest in a joint venture	19	**4,079**	4,038
Amount due from a joint venture	19	**5,068**	5,068
Interest in an associate	20	**–**	–
Amount due from an associate	20	**9,568**	9,602
Available-for-sale investment	21	**4,173**	3,384
Deposits placed at insurance companies	22	**11,775**	11,213
Rental and other deposits		**10,361**	2,912
Deposits paid for acquisition of property, plant and equipment		**3,876**	11,230
Loan receivables	24	**4,647**	–
Time deposits	25	**2,393**	–
		576,772	491,429
Current Assets			
Inventories	23	**595,609**	230,866
Trade, loan and other receivables	24	**805,635**	612,386
Prepaid lease payments	18	**469**	444
Income tax recoverable		**1,261**	163
Amount due from an associate	20	**–**	253
Available-for-sale investment	21	**5,025**	–
Bank balances and cash	25	**383,167**	574,941
		1,791,166	1,419,053
Current Liabilities			
Trade and other payables	26	**363,260**	228,339
Amounts due to non-controlling shareholders	27	**3,200**	14,970
Income tax payable		**9,855**	11,222
Bank borrowings	28	**847,939**	502,920
Obligations under finance leases	29	**569**	813
Obligation arising from a put option to non-controlling shareholders	30	**–**	31,050
Derivative financial instruments	31	**–**	12,474
		1,224,823	801,788
Net Current Assets		**566,343**	617,265
		1,143,115	1,108,694

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and Reserves			
Share capital	32	**56,192**	56,192
Share premium and reserves		**1,008,933**	967,324
Equity attributable to shareholders of the Company		**1,065,125**	1,023,516
Non-controlling interests		**52,188**	34,304
Total Equity		**1,117,313**	1,057,820
Non-current Liabilities			
Bank borrowings	28	**–**	28,333
Deferred tax liabilities	34	**25,375**	21,545
Obligations under finance leases	29	**427**	996
		25,802	50,874
		1,143,115	1,108,694

The consolidated financial statements on pages 39 to 114 were approved and authorised for issue by the Board of Directors on 23rd March, 2018 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2017

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2016	56,192	316,466	28,409	11,303	745	2,754	(8,948)	591,017	997,938	33,809	1,031,747
Profit for the year	–	–	–	–	–	–	–	72,670	72,670	12,483	85,153
Other comprehensive (expense) income for the year											
Exchange difference arising on translation of foreign operations	–	–	(19,516)	–	–	–	–	–	(19,516)	(5,133)	(24,649)
Net fair value gain on available-for-sale investment	–	–	–	–	–	630	–	–	630	–	630
Fair value loss on investment properties	–	–	–	–	(110)	–	–	–	(110)	–	(110)
Total comprehensive (expense) income for the year	–	–	(19,516)	–	(110)	630	–	72,670	53,674	7,350	61,024
Dividends paid (note 13)	–	–	–	–	–	–	–	(28,096)	(28,096)	(6,855)	(34,951)
Transfer between reserves	–	–	–	13,121	–	–	–	(13,121)	–	–	–
At 31st December, 2016	56,192	316,466	8,893	24,424	635	3,384	(8,948)	622,470	1,023,516	34,304	1,057,820
Profit for the year	–	–	–	–	–	–	–	42,432	42,432	6,457	48,889
Other comprehensive income (expense) for the year											
Exchange difference arising on translation of foreign operations	–	–	23,518	–	–	–	–	–	23,518	4,617	28,135
Deregistration of a subsidiary	–	–	(908)	–	–	–	–	–	(908)	–	(908)
Net fair value gain on available-for-sale investments	–	–	–	–	–	750	–	–	750	–	750
Total comprehensive income for the year	–	–	22,610	–	–	750	–	42,432	65,792	11,074	76,866
Acquisition of additional interest in a subsidiary (Note c)	–	–	(879)	–	–	–	(12,238)	14,221	1,104	11,370	12,474
Dividends paid (note 13)	–	–	–	–	–	–	–	(25,287)	(25,287)	(4,560)	(29,847)
Transfer between reserves	–	–	–	2,244	–	–	–	(2,244)	–	–	–
At 31st December, 2017	**56,192**	**316,466**	**30,624**	**26,668**	**635**	**4,134**	**(21,186)**	**651,592**	**1,065,125**	**52,188**	**1,117,313**

Notes:

(a) The People's Republic of China (the "PRC") statutory reserve is a reserve required by the relevant laws in the PRC applicable to subsidiaries in the PRC for enterprise development purposes.

(b) Other reserve represented:

(i) adjustments arising from acquisition of additional interest in a subsidiary of HK$150,000 and deemed disposal of part of its interest in a subsidiary of HK$599,000.

(ii) adjustments arising from acquisition of additional interest in a subsidiary of HK$8,820,000.

(iii) deemed contribution arising from waiver of amount due to a former non-controlling shareholder of HK$621,000 incidental to acquisition of additional interest in a subsidiary during the year ended 31st December, 2011, as set out in note (b)(ii) to the consolidated statement of changes in equity.

(iv) adjustments arising from acquisition of additional interest in a subsidiary of HK$12,238,000 during the year ended 31st December, 2017, as set out in note (c) to the consolidated statement of changes in equity.

(c) Amounts represented transfers from non-controlling interests to relevant reserves attributable to the shareholders of the Company and adjustments arising from acquisition of additional interest in a subsidiary upon the exercise of a put option by non-controlling shareholders recognised in other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2017

	2017 **HK$'000**	2016 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**69,168**	110,681
Adjustments for:		
Fair value gain on investment properties	**(70)**	–
Fair value gain on put option derivative	**–**	(186)
Reversal of allowance for doubtful debts, net	**(20,345)**	(2,495)
Impairment losses on property, plant and equipment	**–**	9,592
Loss on deregistration of a subsidiary	**106**	–
Gain on disposal of property, plant and equipment	**(5,195)**	(1,296)
Amortisation of prepaid lease payments	**456**	456
Reversal of write-down of inventories, net	**(4,800)**	(10,079)
Depreciation	**37,384**	39,855
Interest income	**(2,352)**	(3,068)
Finance costs	**16,408**	12,184
Share of result of a joint venture	**(41)**	(705)
Share of result of an associate	**5,284**	6,448
Operating cash flows before movements in working capital	**96,003**	161,387
(Increase) decrease in inventories	**(350,826)**	5,071
Increase in trade and other receivables	**(161,676)**	(112,616)
Decrease (increase) in amount due from an associate	**253**	(253)
Increase in trade and other payables	**126,738**	6,220
Cash (used in) from operations	**(289,508)**	59,809
Hong Kong Profits Tax paid	**(10,067)**	(9,875)
Hong Kong Profits Tax refunded	**212**	558
Taxation outside Hong Kong paid	**(11,873)**	(13,955)
Taxation outside Hong Kong refunded	**2,036**	2
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(309,200)**	36,539

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2017

	2017 HK$'000	2016 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(89,248)**	(61,424)
Advance of loan receivables	**(5,601)**	–
Advance to an associate	**(5,250)**	–
Purchase of an available-for-sale investment	**(5,022)**	–
Deposits paid for acquisition of property, plant and equipment	**(3,554)**	(26,032)
Placement of time deposits	**(2,393)**	–
Proceeds from disposal of property, plant and equipment	**5,685**	2,786
Interest received	**2,306**	2,981
Repayment of loan receivables	**245**	–
Withdrawal of time deposits	**–**	100,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(102,832)**	18,311
FINANCING ACTIVITIES		
Trust receipt loans raised	**1,372,600**	626,881
Bank loans raised	**320,602**	298,879
Repayment of trust receipt loans	**(1,076,889)**	(506,411)
Repayment of bank loans	**(311,694)**	(225,431)
Acquisition of additional interest in a subsidiary upon the exercise of the Put Option by non-controlling shareholders (note 30)	**(31,050)**	–
Dividends paid	**(25,287)**	(28,096)
Interest paid	**(17,771)**	(12,623)
Repayment to non-controlling shareholders	**(11,770)**	–
Dividend paid to non-controlling shareholders of subsidiaries	**(4,560)**	(6,855)
Repayment of obligations under finance leases	**(813)**	(943)
Advance from non-controlling shareholders	**–**	966
NET CASH FROM FINANCING ACTIVITIES	**213,368**	146,367
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(198,664)**	201,217
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**574,941**	381,064
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**6,890**	(7,340)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**383,167**	574,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

1. GENERAL

Golik Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The controlling shareholder of the Company is Mr. Pang Tak Chung, who is the Chairman and Chief Executive Officer of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, a joint venture and an associate are set out in notes 44, 19 and 20 respectively.

The consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Amendments to HKAS 7 *Disclosure Initiative* *(continued)*

A reconciliation between the opening and closing balances of these items is provided in note 43. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 43, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contacts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1st January, 2018

[2] Effective for annual periods beginning on or after 1st January, 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1st January, 2021

Except for the new and revised HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31st December, 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Quoted debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 21: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the quoted debt instruments in the open market, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the quoted debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the quoted debt instruments are derecognised or reclassified;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 9 *Financial Instruments* *(continued)*

Classification and measurement: (continued)

- Listed equity securities classified as available-for-sale investments carried at fair value as disclosed in note 21: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the fair value gains or losses accumulated in the investment revaluation reserve amounting to HK$4,173,000 as at 1st January, 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1st January, 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1st January, 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 15 *Revenue from Contracts with Customers* *(continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective *(continued)*

HKFRS 16 *Leases* *(continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2017, the Group has non-cancellable operating lease commitments of HK$494,452,000 as disclosed in note 36. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$14,650,000 and refundable rental deposits received of HK$109,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU(s)") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal (or any of the CGU within group of CGUs in which the Group monitors goodwill).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of an associate and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in an associate and a joint venture *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Rendering of services

Service income is recognised when services are provided.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment, including leasehold land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, other than assets under installation and construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under installation and construction in progress for production, supply and administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Assets under installation and construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets, other than assets under installation and construction in progress, less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in asset revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease terms and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income taxes represent the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Other than the cost of inventories of concrete products and printing materials which are determined using the weighted average cost method, the cost of all other products of the Group is determined using the first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including deposits placed at insurance companies, trade, loan and other receivables, time deposits, bank balances and cash, and amounts due from an associate and a joint venture) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated an equity and debt investment as available-for-sale financial assets on initial recognition.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using effective interest method are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of loans and receivables and available-for-sale financial assets

Loans and receivables and available-for-sale financial assets are assessed for indicators of impairment at the end of each reporting period. Loans and receivables and available-for-sale financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables and available-for-sale financial assets, the estimated future cash flows of the investment have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables and available-for-sale financial assets (continued)

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amounts of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities of FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when they are designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 42(h).

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bank borrowings and amounts due to non-controlling shareholders) are subsequently measured at amortised cost, using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or a CGU for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so 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 (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement pension schemes for staff in the PRC are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Allowance for doubtful debts

Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be recoverable and the identification and measurements require the use of judgment and estimates. The identification of doubtful debts is based on ageing categories and subsequent settlements of the receivables. Repayment history and credit worthiness of debtors, and business relationship with debtors are taken into consideration for the measurement of the amount of allowances for doubtful debts. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further impairment loss may arise.

As at 31st December, 2017, the carrying amount of trade and bills receivables is HK$737,412,000 (net of allowance for doubtful debts of HK$27,577,000) (2016: carrying amount of HK$550,501,000, net of allowance for doubtful debts of HK$78,807,000).

Write-down of inventories

The Group manufactures and sells metal products and the valuation of the metal-related inventories is subject to fluctuation of market prices of steel. When there is a downward trend in the market, the selling price of the steel products of the Group may decrease which imposes pressures to the net realisable values of steel products. The management estimates the net realisable values for steel products primarily based on the market condition and the latest selling price of steel products. Moreover, the management also reviews the usability and salability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages/sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. Where the actual net realisable values of the inventories are less than expected, further write-down of inventories may arise.

As at 31st December, 2017, the carrying amount of inventories is HK$595,609,000 (net of write-down of inventories of HK$33,115,000) (2016: HK$230,866,000 (net of write-down of inventories of HK$37,420,000)).

Impairment of property, plant and equipment

As at 31st December, 2017, the aggregate carrying amount of the Group's property, plant and equipment is HK$503,205,000 (2016: HK$426,770,000). Property, plant and equipment are first considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the CGU to which the property, plant and equipment belong. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The management considers that the recoverable amount of the relevant CGU to which the relevant assets belong is determined on the basis of the value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise.

As at 31st December, 2017, accumulated impairment losses of the Group's property, plant and equipment is HK$28,833,000 (2016: HK$36,965,000). Details about impairment losses provided in prior year are set out in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair value measurements and valuation processes

The directors of the Company has determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The valuation of the put option to non-controlling shareholders is carried out twice a year, as at interim period end and as at year end. The Group provides the unaudited consolidated financial statements and the profit forecast of Fulwealth Metal Factory Limited ("Fulwealth") to the qualified external valuers.

The directors of the Company will review the valuation and assess the appropriateness of the valuation techniques and inputs used.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 42(h).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

Information reported to the Chairman and Vice Chairman of the Group, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Metal products
2. Building construction materials

In addition, the Group's operations relating to plastic products and printing materials are aggregated and presented as other operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

5. REVENUE AND SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating and reportable segment:

2017

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,009,630	1,692,226	2,701,856	40,351	–	2,742,207
Inter-segment sales	5,378	40	5,418	–	(5,418)	–
Total	1,015,008	1,692,266	2,707,274	40,351	(5,418)	2,742,207
SEGMENT RESULT	71,518	38,752	110,270	(2,553)	(103)	107,614
Unallocated other income						2,493
Unallocated corporate expenses						(19,358)
Fair value gain on investment properties						70
Finance costs						(16,408)
Share of result of a joint venture						41
Share of result of an associate						(5,284)
Profit before taxation						69,168

2016

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	883,684	1,191,607	2,075,291	85,163	–	2,160,454
Inter-segment sales	8,904	2	8,906	–	(8,906)	–
Total	892,588	1,191,609	2,084,197	85,163	(8,906)	2,160,454
SEGMENT RESULT	83,955	65,711	149,666	(8,046)	354	141,974
Unallocated other income						4,847
Unallocated corporate expenses						(18,399)
Fair value gain on put option derivative						186
Finance costs						(12,184)
Share of result of a joint venture						705
Share of result of an associate						(6,448)
Profit before taxation						110,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

5. REVENUE AND SEGMENT INFORMATION *(continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the gross profit or loss generated/suffered from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain other income, corporate expenses, fair value gain on investment properties, fair value gain on put option derivative, finance costs and share of results of a joint venture and an associate. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost or cost plus a percentage of mark-up.

Other segment information

The following other segment information is included in the measure of segment result:

2017

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	**24,679**	**11,099**	**35,778**	**31**	**1,575**	**37,384**
Amortisation of prepaid lease payments	**422**	**34**	**456**	**–**	**–**	**456**
(Reversal of allowance) allowance for doubtful debts, net	**(5,757)**	**(13,300)**	**(19,057)**	**(1,356)**	**68**	**(20,345)**
Reversal of write-down of inventories, net	**(143)**	**(4,657)**	**(4,800)**	**–**	**–**	**(4,800)**
(Gain) loss on disposal of property, plant and equipment	**(5,093)**	**(108)**	**(5,201)**	**6**	**–**	**(5,195)**

2016

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	26,290	11,572	37,862	322	1,671	39,855
Amortisation of prepaid lease payments	422	34	456	–	–	456
(Reversal of allowance) allowance for bad and doubtful debts, net	(4,267)	(2,760)	(7,027)	3,845	687	(2,495)
Reversal of write-down of inventories, net	(1,048)	(8,921)	(9,969)	(110)	–	(10,079)
(Gain) loss on disposal of property, plant and equipment	7	(277)	(270)	(1,033)	7	(1,296)
Impairment loss on property, plant and equipment	2,283	7,309	9,592	–	–	9,592

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2017 **HK$'000**	2016 HK$'000
Metal products	**1,009,630**	883,684
Building construction materials		
– Concrete products	**501,930**	470,607
– Construction steel and other products	**1,190,296**	721,000
Others	**40,351**	85,163
	2,742,207	2,160,454

Geographical information

The Group operates in two principal geographical areas, namely Hong Kong and other regions in the PRC.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets other than financial instruments by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets other than financial instruments**	
	2017 **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Hong Kong	**1,665,155**	1,234,612	**316,719**	249,776
PRC other than Hong Kong and Macau	**963,232**	880,770	**222,429**	212,386
Macau	**79,404**	22,316	**–**	–
Others	**34,416**	22,756	**–**	–
	2,742,207	2,160,454	**539,148**	462,162

Note: Non-current assets excluded amounts due from a joint venture and an associate, available-for-sale investment, deposits placed at insurance companies, loan receivables and time deposits.

No customer has contributed over 10% of the total revenue of the Group for both years.

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

6. OTHER INCOME

	2017 HK$'000	2016 HK$'000
Rental income from property, plant and equipment	**581**	1,788
Rental income from investment properties	**262**	226
Sales of scraps and samples	**4,792**	5,945
Claims received	**115**	716
Crane and weighbridge income	**1,131**	826
Processing income	**4,485**	3,888
Government grant (Note)	**6,200**	7,950
Transportation income	**854**	791
Sundry income	**3,662**	1,694
	22,082	23,824

Note: During the year ended 31st December, 2017, a subsidiary of the Company in the PRC received a government grant of HK$6,200,000 (2016: HK$7,950,000) as an encouragement for operating in an economic development zone in Tianjin.

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Fair value gain on investment properties	**(70)**	–
Fair value gain on put option derivative (note 31)	**–**	(186)
Gain on disposal of property, plant and equipment	**(5,195)**	(1,296)
Impairment losses on property, plant and equipment (note 17)	**–**	9,592
Net exchange (gain) loss	**(2,933)**	7,711
Allowance for doubtful debts on trade receivables	**1,927**	18,216
Allowance for doubtful debts on loan and other receivables	**5,184**	1,805
Reversal of allowance for doubtful debts on trade receivables	**(26,472)**	(22,516)
Reversal of allowance for doubtful debts on other receivables	**(984)**	–
Loss on deregistration of a subsidiary	**106**	–
	(28,437)	13,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

8. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on:		
Bank borrowings	**17,988**	12,507
Finance leases	**62**	96
	18,050	12,603
Less: amounts capitalised in the cost of qualifying assets	**(1,642)**	(419)
	16,408	12,184

9. INCOME TAXES

	2017 HK$'000	2016 HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	**9,301**	7,988
PRC Enterprise Income Tax	**9,685**	14,313
Withholding tax paid for distributed profits in the PRC	**734**	421
	19,720	22,722
(Overprovision) underprovision in prior years		
Hong Kong Profits Tax	**(1,415)**	(448)
PRC Enterprise Income Tax	**(1,856)**	1,174
	(3,271)	726
Deferred tax (note 34)	**3,830**	2,080
	20,279	25,528

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In addition, a PRC subsidiary of the Company was qualified as "High-tech Enterprise" in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2016. Another PRC subsidiary was qualified as "Small Low-profit Enterprise" in Guangdong and subject to an Enterprise Income Tax Rate of 10%, which was granted for three years starting from 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

9. INCOME TAXES *(continued)*

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 31st December, 2017 and 2016, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

The income taxes for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Hong Kong		PRC and others		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**(5,960)**	41,623	**75,128**	69,058	**69,168**	110,681
Domestic income tax rate	**16.50%**	16.50%	**25.00%**	25.00%		
Tax at the domestic income tax rate	**(983)**	6,868	**18,783**	17,265	**17,800**	24,133
Tax effect of share of result of a joint venture	**(7)**	(116)	**–**	–	**(7)**	(116)
Tax effect of share of result of an associate	**872**	1,064	**–**	–	**872**	1,064
Tax effect of expenses not deductible for tax purpose	**167**	821	**279**	155	**446**	976
Tax effect of income not taxable for tax purpose	**(496)**	(903)	**(283)**	(443)	**(779)**	(1,346)
Tax effect of recognition of tax loss previously not recognised	**(615)**	(823)	**–**	–	**(615)**	(823)
Tax effect of tax losses not recognised	**13,769**	2,859	**–**	101	**13,769**	2,960
Tax effect of utilisation of tax loss previously not recognised	**(629)**	(1,153)	**(50)**	(633)	**(679)**	(1,786)
Tax effect of other deductible temporary difference not recognised	**1,502**	816	**–**	2,726	**1,502**	3,542
Tax effect of taxable temporary difference previously not recognised	**1,891**	–	**–**	–	**1,891**	–
Tax effect of utilisation of other temporary difference not recognised	**(3,346)**	(206)	**(6,858)**	(1,363)	**(10,204)**	(1,569)
Effect of tax concession granted to PRC subsidiaries	**–**	–	**(1,960)**	(4,003)	**(1,960)**	(4,003)
Withholding tax paid	**734**	421	**–**	–	**734**	421
Withholding tax on retained profits to be distributed	**1,180**	780	**–**	–	**1,180**	780
(Overprovision) underprovision in prior years	**(1,415)**	(448)	**(1,856)**	1,174	**(3,271)**	726
Others	**(174)**	61	**(226)**	508	**(400)**	569
Income taxes for the year	**12,450**	10,041	**7,829**	15,487	**20,279**	25,528

Details of deferred taxation are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

10. PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**456**	456
Auditor's remuneration		
Current year	**3,593**	3,744
Underprovision (overprovision) in prior years	**154**	(32)
Cost of inventories recognised as expense including net reversal of write-down of inventories of HK$4,800,000 (2016: HK$10,079,000)	**2,379,761**	1,762,210
Depreciation	**37,384**	39,855
Minimum lease payments for operating leases in respect of		
Land and buildings	**46,941**	33,672
Plant and machinery and equipment	**12,345**	9,467
Production facilities (including land and buildings, plant and machinery and equipment)	**1,800**	–
	61,086	43,139
Research and development expenditure (including worker and staff costs of HK$7,502,000 (2016: HK$4,517,000))	**28,123**	14,645
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	**249,058**	220,182

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$1,922,000 (2016: HK$1,922,000) are included in director's emoluments under worker and staff costs.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Companies Ordinance, is as follows:

	Pang Tak Chung HK$'000 (Note a and c)	Ho Wai Yu, Sammy HK$'000 (Note a)	Pang Wan Ping HK$'000 (Note a)	Lau Ngai Fai HK$'000 (Note a)	Yu Kwok Kan, Stephen HK$'000 (Note b)	Chan Yat Yan HK$'000 (Note b)	Lo Yip Tong HK$'000 (Note b)	2017 Total HK$'000
Fees	–	–	–	–	204	204	204	612
Other emoluments								
Salaries and other benefits	7,111	4,754	1,190	3,270	–	–	–	16,325
Contributions to retirement benefits scheme	–	268	65	131	–	–	–	464
	7,111	5,022	1,255	3,401	204	204	204	17,401

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For the year ended 31st December, 2017

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS *(continued)*

	Pang Tak Chung HK$'000 (Note a and c)	Ho Wai Yu, Sammy HK$'000 (Note a)	Pang Wan Ping HK$'000 (Note a)	Lau Ngai Fai HK$'000 (Note a)	Yu Kwok Kan, Stephen HK$'000 (Note b)	Chan Yat Yan HK$'000 (Note b)	Lo Yip Tong HK$'000 (Note b)	2016 Total HK$'000
Fees	–	–	–	–	196	196	196	588
Other emoluments								
Salaries and other benefits	7,027	4,664	1,140	2,750	–	–	–	15,581
Contributions to retirement benefits scheme	–	253	55	125	–	–	–	433
	7,027	4,917	1,195	2,875	196	196	196	16,602

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(b) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(c) Mr. Pang Tak Chung is also the chief executive officer of the Company and his emoluments disclosed above include those for service rendered by him as the chief executive officer.

(d) No director waived any emoluments for the two years ended 31st December, 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2016: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2016: two individuals) are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other benefits	**3,878**	3,152
Contributions to retirement benefits scheme	**18**	111
	3,896	3,263

Their emoluments were within the following bands:

	2017 Number of employees	2016 Number of employees
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
	2	2

During both years, no emoluments were paid by the Group to the directors and five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

	2017 HK$'000	2016 HK$'000
Dividends paid:		
2017 Interim – HK1.5 cents (2016: HK1.5 cents) per ordinary share	**8,429**	8,429
2016 Final – HK3.0 cents (2016: 2015 Final – HK3.5 cents) per ordinary share	**16,858**	19,667
	25,287	28,096
Dividend proposed:		
Final dividend proposed for the year		
– HK3.0 cents (2016: HK3.0 cents) per ordinary share	**16,858**	16,858

The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31st December, 2017 which is subject to approval by the shareholders at the annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the shareholders of the Company for the year and 561,922,500 (2016: 561,922,500) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31st December, 2017 was presented as the assumed exercise of the written put option would result in an increase in earnings per share for the period from 1st January, 2017 to 28th April, 2017 and there were no potential ordinary shares in issue for the remaining period ended 31st December, 2017.

The calculation of the diluted earnings per share for the year ended 31st December, 2016 does not assume the exercise of the written put option on shares of a subsidiary as it is anti-dilutive.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2016, 31st December, 2016 and 2017	34,355
IMPAIRMENT	
At 1st January, 2016, 31st December, 2016 and 2017	(34,355)
CARRYING AMOUNT	
At 1st January, 2016, 31st December, 2016 and 2017	–

For the purposes of impairment testing, goodwill is allocated to individual CGU which is engaged in trading of printing materials and is expected to benefit from that business combination. As at 31st December, 2017 and 2016, the carrying amount of goodwill was attributable to a subsidiary in other operations segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

16. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1st January, 2016	4,020
Decrease in fair value recognised in asset revaluation reserve	(110)
At 31st December, 2016	3,910
Increase in fair value recognised in profit or loss	70
At 31st December, 2017	3,980

Notes:

(a) The investment properties are located in PRC.

(b) The investment properties held under operating lease to earn rentals and/or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

(c) The fair value of the investment properties as at 31st December, 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent qualified professional valuers not connected to the Group. LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

(d) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(e) The followings are the key inputs used in valuing the investment properties

Description	Fair value hierarchy	Fair value at 31st December,		Valuation technique	Key unobservable inputs	Relationship of unobservable input to fair value	Sensitivity
		2017 HK$'000	2016 HK$'000				
Commercial properties in Guangzhou, PRC	Level 3	**3,980**	3,910	Sales comparison approach	Adjusted price per square meter RMB23,207 to RMB24,437 (2016: RMB23,926 to RMB26,082)	The higher the price per square meter, the higher the fair value.	A slight increase in the price per square meter would result a slight increase in fair value, and vice versa.

There were no transfers into or out of Level 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Assets under installation HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1st January, 2016	175,590	17,817	23,403	35,290	518,598	36,561	85,273	892,532
Exchange differences	(1,893)	(323)	(398)	(657)	(20,946)	(1,775)	(17)	(26,009)
Additions	26	3,123	1,631	3,028	29,597	6,685	44,174	88,264
Disposals	(1,273)	(617)	(1,421)	(5,136)	(14,446)	–	–	(22,893)
Written off of impaired assets	–	–	(1)	–	(16,541)	–	–	(16,542)
Reclassification	–	388	449	–	32,381	(33,203)	(15)	–
At 31st December, 2016	172,450	20,388	23,663	32,525	528,643	8,268	129,415	915,352
Exchange differences	1,963	352	458	792	23,389	163	19	27,136
Additions	269	916	1,350	3,571	6,623	44,193	45,828	102,750
Disposals	–	(730)	(594)	(1,268)	(15,271)	(36)	–	(17,899)
Written off of impaired assets	–	–	(35)	(26)	(8,071)	–	–	(8,132)
Reclassification	709	–	220	–	1,229	(1,413)	(745)	–
At 31st December, 2017	**175,391**	**20,926**	**25,062**	**35,594**	**536,542**	**51,175**	**174,517**	**1,019,207**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2016	120,526	12,166	19,435	27,692	306,808	–	3,916	490,543
Exchange differences	(1,288)	(278)	(304)	(591)	(10,992)	(9)	(1)	(13,463)
Provided for the year	3,922	1,842	1,592	2,345	30,154	–	–	39,855
Impairment losses	2,202	1,167	200	419	5,286	283	35	9,592
Eliminated on disposals	(759)	(617)	(1,393)	(5,016)	(13,618)	–	–	(21,403)
Eliminated on written off of impaired assets	–	–	(1)	–	(16,541)	–	–	(16,542)
At 31st December, 2016	124,603	14,280	19,529	24,849	301,097	274	3,950	488,582
Exchange differences	1,474	352	354	640	12,736	19	2	15,577
Provided for the year	2,679	1,465	1,517	2,691	29,032	–	–	37,384
Eliminated on disposals	–	(650)	(569)	(1,264)	(14,926)	–	–	(17,409)
Eliminated on written off of impaired assets	–	–	(35)	(26)	(8,071)	–	–	(8,132)
Reclassification	–	–	–	–	329	(293)	(36)	–
At 31st December, 2017	**128,756**	**15,447**	**20,796**	**26,890**	**320,197**	**–**	**3,916**	**516,002**
CARRYING VALUES								
At 31st December, 2017	**46,635**	**5,479**	**4,266**	**8,704**	**216,345**	**51,175**	**170,601**	**503,205**
At 31st December, 2016	47,847	6,108	4,134	7,676	227,546	7,994	125,465	426,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – 33$^1/_3$%
Motor vehicles	10% – 33$^1/_3$%
Plant and machinery and equipment	5% – 50%

The carrying values of motor vehicles of the Group include an amount of HK$1,188,000 (2016: HK$2,075,000) in respect of assets held under finance leases.

The carrying values of plant and machinery and equipment of the Group include an amount of HK$4,682,000 (2016: HK$4,621,000) in respect of assets leased to third party under operating leases.

The carrying value of leasehold land and buildings comprises:

	2017 **HK$'000**	2016 HK$'000
Situated in Hong Kong	**23,132**	24,596
Situated in the PRC other than Hong Kong and Macau	**23,503**	23,251
	46,635	47,847

Note:

For impairment review purpose, property, plant and equipment are first considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the CGU to which the property, plant and equipment belong. Recoverable amount is the higher of fair value less costs of disposal and value in use.

In 2016, the directors considered there were impairment indicators on the property, plant and equipment used in metal products and building construction materials which are under "Metal Products" segment and "Building Construction Materials" segment respectively due to continuous loss incurred by certain operations, under the rise in production costs and keen market competition. As a result, impairment losses of HK$9,592,000 was recognised in the profit or loss during the year ended 31st December, 2016. The recoverable amounts of the relevant assets have been determined on the basis of their value in use of the relevant CGU which these assets belong to. No further impairment or reversal of impairment loss previously recognised was noted for the year ended 31st December, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

18. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
The Group's prepaid lease payments comprise:		
Land use rights in the PRC other than Hong Kong and Macau	**14,116**	13,746
Analysed for reporting purposes as:		
Current asset	**469**	444
Non-current asset	**13,647**	13,302
	14,116	13,746

19. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Cost of investments (unlisted)	**1,226**	1,226
Share of post-acquisition profits and other comprehensive income	**2,853**	2,812
	4,079	4,038
Amount due from a joint venture (Note)	**5,068**	5,068

Particulars of the joint venture as at 31st December, 2017 and 2016 are as follows:

Name of company	Form of business structure	Place of incorporation/ principal place of business	Percentage of ownership interest and voting rights held by the Group 2017 %	2016 %	Principal activities
Kunshan Rosathal Printing Ink Limited	Equity joint venture	PRC	**33.25***	33.25*	Manufacturing and sales of printing ink

* The Group's 95% owned subsidiary held 35% in this company.

Note: The amount is unsecured, interest-free and is not expected to be repaid within the next twelve months from the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

19. INTEREST IN A JOINT VENTURE/AMOUNT DUE FROM A JOINT VENTURE *(continued)*

Information of the joint venture that is not individually material

	2017 HK$'000	2016 HK$'000
The Group's share of profit and total comprehensive income	**41**	705

20. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Cost of investment (unlisted)	**3,500**	3,500
Share of post-acquisition losses and other comprehensive expense	**(3,500)**	(3,500)
	–	–
Amount due from an associate – Non-current asset (Note b)	**19,250**	14,000
Less: share of post-acquisition losses that are in excess of the cost of the investment	**(9,682)**	(4,398)
	9,568	9,602
Amount due from an associate – Current asset (Note c)	**–**	253

Particulars of the associate as at 31st December, 2017 and 2016 are as follows:

Name of company	Form of business structure	Place of incorporation/ principal place of business	Percentage of ownership interest and voting rights held by the Group		Principal activities
			2017 %	2016 %	
Hongkong United Reinforcement Engineering Limited	Incorporated	Hong Kong	**35**	35	Has a structural steel cut and bend facility on the premises to provide rebar cutting, bending and prefabrication services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

20. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE *(continued)*

Notes:

(a) The Group is able to exercise significant influence over the associate because it has the power to appoint two out of six directors of the company under the Articles of Association of the associate.

(b) The amount of HK$14,000,000 (2016: HK$14,000,000) is unsecured, carries interest at 2% below the best lending rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited per annum and is repayable ten years from the first drawdown date. The balance of HK$5,250,000 (2016: Nil) is unsecured, interest-free and is repayable in four years from the drawndown date.

(c) The amount is trade in nature, unsecured and repayable according to the credit term.

Summarised financial information of the associate

Summarised financial information in respect of the associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	2017 **HK$'000**	2016 HK$'000
Revenue	**10,583**	6,829
Loss and total comprehensive expense for the year	**(15,097)**	(18,422)

	2017 **HK$'000**	2016 HK$'000
Current assets	**5,598**	5,175
Non-current assets	**25,902**	29,427
Current liabilities	**(4,162)**	(7,167)
Non-current liabilities	**(55,000)**	(40,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INTEREST IN AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE *(continued)*

Summarised financial information of the associate *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2017 **HK$'000**	2016 HK$'000
Net liabilities	**(27,662)**	(12,565)
Proportion of the Group's ownership interest in the associate	**35%**	35%
Share of net liabilities of the associate	**(9,682)**	(4,398)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	**9,682**	4,398
Carrying amount of the Group's interest in the associate	**–**	–

21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 **HK$'000**	2016 HK$'000
The investments comprise of:		
Certificate of deposit (Note a)	**5,025**	–
Equity securities listed in Germany (Note b)	**4,173**	3,384
Total	**9,198**	3,384
Analysed for reporting purposes as:		
Current assets	**5,025**	–
Non-current assets	**4,173**	3,384
	9,198	3,384

Notes:

(a) As at 31st December, 2017, available-for-sale investments included an investment in a deposit with fixed interest of 1.40% per annum of which the market price is quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority and it is expected to be realised of within one year from the end of the reporting date. As at 31st December, 2017, the fair value of the investment is HK$5,025,000 and a fair value loss on this available-for-sale investment of HK$39,000 has been recognised in other comprehensive income and accumulated in investment revaluation reserve.

(b) The fair value of the investment is determined by reference to the bid prices quoted in an active market. At 31st December, 2017, the fair value of the investment is HK$4,173,000 (2016: HK$3,384,000) and a fair value gain on this available-for-sale investment of HK$789,000 (2016: HK$630,000) has been recognised in other comprehensive income and accumulated in investment revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

22. DEPOSITS PLACED AT INSURANCE COMPANIES

	2017 HK$'000	2016 HK$'000
Deposits placed at insurance companies and due after one year	**11,775**	11,213

The Group entered into life insurance policies with insurance companies to insure the executive directors and staff. Under the policies, the beneficiary and policy holder are both Company and a subsidiary of the Company and the total insured sum is HK$60,397,000 (2016: HK$60,021,000). The Group is required to pay premium charges at inception of the policies amounting to HK$324,000. The Group can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment of HK$9,992,000 (2016: HK$9,951,000) plus accumulated interest earned and minus insurance premium charged at inception of HK$324,000 and the accumulated monthly insurance premium expenses charged. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance companies will pay the Group an interest of 3% per annum on the outstanding Cash Value of the policy.

The effective interest rate on initial recognition was 3%, which was determined by discounting the estimated future cash receipts through the expected life of the respective policies, excluding the financial effect of surrender charge. The carrying amount of deposits placed for life insurance policies as at 31st December, 2017 represented the present value of the insurance policies. As at 31st December, 2017, the expected life of the policies was remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policies was insignificant.

The insured sum amounting to HK$50,002,000 (2016: HK$49,626,000) and deposits placed at insurance companies amounting to HK$6,149,000 (2016: HK$5,941,000) are denominated in United States dollars, currency other than the functional currency of the Company and the subsidiary of the Company.

23. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**101,932**	78,386
Work in progress	**60,963**	49,199
Finished goods	**431,184**	102,066
Supplies	**1,530**	1,215
	595,609	230,866

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For the year ended 31st December, 2017

24. TRADE, LOAN AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade and bills receivables, net	**737,412**	550,501
Prepayments, deposits and other receivables	**67,530**	61,885
Loan receivables (Note)	**5,340**	–
	810,282	612,386
Analysed for reporting purpose as:		
Current	**805,635**	612,386
Non-current – Loan receivables	**4,647**	–
	810,282	612,386

Note: The long-term loan receivables with the carrying amount of HK$5,340,000 (net of allowance for doubtful debts of Nil) (2016: carrying mount of Nil, net of allowance of doubtful debts of Nil) are secured and repayable by instalments within seven years from the first drawdown date. They bear interest at 2.75% (2016: Nil) per annum. The short-term loan receivables with the carrying amount of Nil (net of allowance for doubtful debts of HK$1,966,000) (2016: carrying amount of Nil, net of allowance of doubtful debts of HK$1,950,000) are unsecured and repayable within one year. They bear interest at 5% (2016: 5%) per annum. During the year ended 31st December, 2017, allowance of doubtful debts of HK$16,000 (2016: HK$600,000) was recognised in the profit or loss.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days to its customers. However, as at 31st December, 2016, there are retention money being withheld by certain customers until the completion of the relevant projects which was completed in 2017.

Trade and bills receivables, net of allowance for doubtful debts, with an ageing analysis presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**335,078**	240,117
31 – 60 days	**225,202**	160,655
61 – 90 days	**92,620**	74,838
91 – 120 days	**42,867**	31,009
More than 120 days	**41,645**	43,882
	737,412	550,501

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits for each customers. Limits attributed to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$319,095,000 (2016: HK$233,734,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances. Trade receivables which are neither past due nor impaired are in good quality with satisfactory repayment history in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

24. TRADE, LOAN AND OTHER RECEIVABLES *(continued)*

Ageing of trade receivables (by due date) which are past due but not impaired:

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 – 30 days	**198,459**	139,447
31 – 60 days	**71,634**	52,889
61 – 90 days	**20,942**	24,301
91 – 120 days	**16,377**	9,276
More than 120 days	**11,683**	7,821
	319,095	233,734

Movement in the allowance for doubtful debts on trade receivables:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**78,807**	85,980
Exchange realignment	**1,960**	(2,841)
Impairment losses recognised	**1,927**	18,216
Impairment losses reversed	**(26,472)**	(22,516)
Amounts written off during the year	**(28,645)**	(32)
Balance at end of the year	**27,577**	78,807

Movement in the allowance for doubtful debts on other receivables:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**9,018**	7,918
Exchange realignment	**280**	(105)
Impairment losses recognised	**5,168**	1,205
Impairment losses reversed	**(984)**	–
Amounts written off during the year	**(219)**	–
Balance at end of the year	**13,263**	9,018

Included in the allowance for doubtful debts are individually impaired trade, loan and other receivables with an aggregate balance of HK$42,806,000 (2016: HK$89,775,000) which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. Based on historical experience, these overdue balances are normally not recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

24. TRADE, LOAN AND OTHER RECEIVABLES *(continued)*

Allowance for doubtful debts of HK$27,456,000 (2016: HK$22,516,000) was reversed to profit or loss because these impaired trade and other receivables were recovered during the year or there has been a change in credit quality and the amounts are considered recoverable based on repayment history during the year.

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Trade, loan and other receivables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$5,798,000 (2016: HK$9,070,000).

25. TIME DEPOSITS AND BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates. As at 31st December, 2016, deposits of HK$54,363,000 with an original maturity of three months or less which carried fixed interest rates of 0.57% to 3.15% per annum.

As at 31st December, 2017, the time deposits with maturity over 1 years will be matured in 2020 and carry interest at 5.23% per annum.

As at 31st December, 2017, time deposits and bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$25,714,000 (2016: HK$50,313,000).

26. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables	**237,808**	119,855
Accruals	**84,176**	71,242
Deposits received	**19,264**	19,689
Other payables	**22,012**	17,553
	363,260	228,339

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For the year ended 31st December, 2017

26. TRADE AND OTHER PAYABLES *(continued)*

Trade payables with an ageing analysis presented based on the invoice date at the end of the reporting period as follows:

	2017 **HK$'000**	2016 HK$'000
0 – 30 days	**181,861**	52,958
31 – 60 days	**38,886**	39,492
61 – 90 days	**8,905**	20,011
91 – 120 days	**5,608**	2,857
More than 120 days	**2,548**	4,537
	237,808	119,855

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$2,253,000 (2016: HK$5,012,000).

27. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand.

28. BANK BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Bank loans	**293,664**	272,689
Trust receipt loans	**554,275**	258,564
	847,939	531,253
Analysed as:		
Secured (note 35)	**28,351**	33,333
Unsecured	**819,588**	497,920
	847,939	531,253

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For the year ended 31st December, 2017

28. BANK BORROWINGS *(continued)*

	2017 **HK$'000**	2016 HK$'000
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	**83,742**	71,148
More than one year, but not exceeding two years	**–**	28,333
More than two years, but not exceeding five years	**–**	–
	83,742	99,481
Carrying amounts of bank borrowings containing a repayable on demand clause (shown under current liabilities) but repayable		
Within one year	**648,871**	372,675
More than one year but not exceeding two years	**29,463**	6,190
More than two years but not exceeding five years	**85,863**	52,907
	764,197	431,772
	847,939	531,253
Less: amounts due within one year shown under current liabilities	**(847,939)**	(502,920)
Amounts shown under non-current liabilities	**–**	28,333

The effective borrowing rates are ranging from 1.29% to 6.50% (2016: 1.27% to 7.25%) per annum.

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For the year ended 31st December, 2017

28. BANK BORROWINGS *(continued)*

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	Interest rate per annum	2017 HK$'000	2016 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1.00% to 4.44% (2016: HIBOR plus 1.20% to 4.73%)	**682,392**	345,262
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 2.72% to 4.66% (2016: LIBOR plus 1.20% to 3.15%)	**3,171**	13,866
Renminbi	Up to 30.00% mark up from People's Bank of China ("PBOC") lending rate (2016: 5.00% to 30.00% mark up from PBOC lending rate)	**118,112**	149,766
	Fixed rate at 4.30% to 5.22% (2016: 4.35%)	**44,264**	22,359
		847,939	531,253

Note: These borrowings are denominated in a currency other than functional currencies of the relevant group entities.

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Within one year	**600**	874	**569**	813
In the second to fifth year inclusive	**438**	1,038	**427**	996
	1,038	1,912		
Less: future finance charges	**(42)**	(103)		
Present value of lease obligations	**996**	1,809	**996**	1,809
Less: amounts due within one year shown under current liabilities			**(569)**	(813)
Amounts due after one year			**427**	996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

29. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

Certain of the Group's motor vehicles are leased under finance leases. The lease terms are ranging from 1 to 5 years. The obligations under finance leases of HK$996,000 (2016: HK$1,809,000) carry fixed interest rates from 1.60% to 2.75% (2016: 1.60% to 3.25%) per annum. All leases are on a fixed repayment basis. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

30. OBLIGATION ARISING FROM A PUT OPTION TO NON-CONTROLLING SHAREHOLDERS

On 6th September, 2011, the Company entered into an option deed with the non-controlling shareholders (the "Holders") of Fulwealth, a 77% owned subsidiary of the Group, pursuant to which the Company has granted the put option (the "Put Option") to the Holders exercisable during the period from 6th September, 2012 to 31st December, 2016 (the "Exercise Period"). On 1st December, 2016, the Company entered into a Supplemental Option Deed with the Holders to extend the Exercise Period from 31st December, 2016 to 31st December, 2021. The Holders have the right to sell to the Company, and require the Company to acquire all of the Holders' remaining equity interest of Fulwealth during the Exercise Period at a cash consideration. The consideration will be calculated by reference to the unaudited consolidated net asset value of Fulwealth attributable to the Holders for the period up to the month immediately preceding the exercise date of the Put Option plus a premium of HK$12,650,000 representing HK$2.75 per option share with maximum aggregate consideration at HK$31,050,000.

At initial recognition, the obligation arising from the Put Option to the Holders represents the present value of the obligation to deliver the share redemption amount at discount rate of 4.50% on 6th September, 2011 amounting to HK$29,841,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests.

On 28th April, 2017, the Holders exercised the Put Option to sell to the Company, and required the Company to acquire all of the Holders' remaining 23% of the equity interest in Fulwealth, at a cash consideration of HK$31,050,000. Accordingly, the obligation arising from a put option to non-controlling shareholders of HK$31,050,000 was settled, and the derivative financial instruments of HK$12,474,000 was derecognised. The relevant non-controlling interest of HK$11,370,000 was transferred to retained profits and exchange reserve and the difference arising on these adjustments is recognised in other reserve.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2017	2016
	HK$'000	HK$'000
Current:		
Put Option derivative (Note)	–	12,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

31. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Note:

As detailed in note 30, as at 31st December, 2016, the fair value of the Put Option of HK$12,474,000 has been recognised in the consolidated statement of financial position, of which fair value gain of HK$186,000 was recognised for the year ended 31st December, 2016.

The fair values of the Put Option as at 31st December, 2016 have been determined by using a Binominal Option Pricing Model with the following assumptions:

Exercise price: Unaudited consolidated net asset value of Fulweath attributable to the Holders for the period up to the month immediately preceding the exercise date plus a premium of HK$2.75 per option share.

	2016
Risk-free rate:	1.56%
Time to expiration:	5 years
Volatility:	30.96%

Notes:

(i) The risk free rate is with reference to the Hong Kong Sovereign Curve.

(ii) Time to expiration represents the duration to maturity date of 31st December, 2021.

(iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock for the year ended 31st December, 2016.

32. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2016, 31st December, 2016 and 2017	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2016, 31st December, 2016 and 2017	561,922,500	56,192

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33. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to the ordinary resolution passed on 5th June, 2014.

Summary of the Scheme

a. The primary purpose of the Scheme is to provide incentives or rewards to Participants (see below defined) thereunder for their contribution to the Group and any entity in which the Group holds any equity interest ("Invested Entity") and/or to enable the Group and an Invested Entity to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any Invested Entity.

b. The directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("Participants"), to take up options to subscribe for shares of HK$0.10 each in the share capital of the Company ("Shares").

   (i) any eligible employee;
   (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
   (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
   (iv) any customer of the Group or any Invested Entity;
   (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and
   (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.

c. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme. The Company can grant options to subscribe up to 56,192,250 Shares which is 10% of the total issued share capital of the Company as at the date of approval of the limit. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

d. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

33. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

e. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

f. An offer of grant of an option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

g. The subscription price per Share under the Scheme shall be a price determined by the directors, but shall not be lower than the highest of:

   (i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;
   (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
   (iii) the nominal value of a Share.

h. The Scheme has a life of 10 years and will expire on 4th June, 2024.

No share option has been granted since the adoption of the Scheme.

34. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Withholding tax on retained profits to be distributed HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2016	(14,099)	1,858	(7,780)	556	(19,465)
(Charge) credit to profit or loss	(2,334)	1,034	(780)	–	(2,080)
At 31st December, 2016	(16,433)	2,892	(8,560)	556	(21,545)
(Charge) credit to profit or loss	(6,891)	4,241	(1,180)	–	(3,830)
At 31st December, 2017	**(23,324)**	**7,133**	**(9,740)**	**556**	**(25,375)**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities of the same jurisdiction have been offset and shown under non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

34. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has unused tax losses of HK$532,892,000 (2016: HK$431,766,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$43,230,000 (2016: HK$17,527,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$489,662,000 (2016: HK$414,239,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of Nil (2016: HK$483,000) which will expire in the following years ending 31st December:

	2017 **HK$'000**	2016 HK$'000
2017	**–**	–
2018	**–**	93
2019	**–**	–
2020	**–**	–
2021	**–**	390
	–	483

The remaining unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$39,785,000 (2016: HK$81,824,000) in respect of accelerated accounting depreciation, impairment losses on property, plant and equipment and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK$3,370,000 (2016: HK$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$36,415,000 (2016: HK$78,454,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

35. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to banks as securities against banking facilities granted to the Group:

	2017 **HK$'000**	2016 HK$'000
Construction in progress	**81,084**	81,084

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36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 **HK$'000**	2016 HK$'000
Land and buildings:		
Within one year	**44,874**	25,323
In the second to fifth year inclusive	**120,228**	68,640
Over five years	**187,830**	186,513
	352,932	280,476
Plant and machinery and equipment:		
Within one year	**14,227**	8,106
In the second to fifth year inclusive	**32,910**	18,023
Over five years	**62,470**	65,334
	109,607	91,463
Production facilities (including land and buildings, plant and machinery and equipment):		
Within one year	**10,872**	–
In the second to fifty year inclusive	**21,041**	–
	31,913	–
Total	**494,452**	371,939

Operating lease payments represent rentals payable by the Group for certain of its factory and office premises, staff quarters, and plant and machinery and equipment. Leases of factory and office premises, staff quarters, and plant and machinery and equipment are negotiated for terms ranging from one to twenty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follow:

	2017 HK$'000	2016 HK$'000
Investment properties, and land and buildings:		
Within one year	**598**	400
In the second to fifth year inclusive	**276**	65
	874	465
Plant and machinery and equipment:		
Within one year	**342**	319
In the second to fifth year inclusive	**1,367**	1,278
Over five years	**4,615**	4,632
	6,324	6,229
Total	**7,198**	6,694

The investment properties, land and buildings, and plant and machinery and equipment held have committed tenants for terms ranging from two to twenty years (2016: two to twenty years).

37. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**3,285**	60,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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38. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

For members of the MPF Scheme, the Group contributes at 5% of relevant payroll costs with maximum of HK$1,500 per month to the scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

During the year, the Group made retirement benefits scheme contributions of HK$13,422,000 (2016: HK$13,441,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$199,000 (2016: HK$3,000).

39. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with its related parties:

	Trade sales		Trade purchases		Interest income		Sub-licence fee	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
An associate	**51**	61	**–**	16	**420**	420	**1,800**	–

Compensation of key management personnel

The Group's key management personnel are all executive directors of the Company, details of their remuneration are disclosed in note 11. Their remuneration is determined by the remuneration committee having regard to the performance of individuals and market trends.

40. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2016, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK$250,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 28, net of cash and cash equivalents, and equity attributable to shareholders of the Company, comprising issued share capital, share premium, reserves and retained profits. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt, if necessary.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,161,081**	1,154,687
Available-for-sale investments	**9,198**	3,384
Financial liabilities		
At amortised cost	**1,180,788**	744,788
Derivative financial instruments	**–**	12,474
Obligation arising from a put option to non-controlling shareholders	**–**	31,050

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposits placed at insurance companies, trade, loan and other receivables, time deposits, bank balances and cash, amount due from a joint venture/an associate, trade and other payables, obligation arising from a put option to non-controlling shareholders, derivative financial instruments, bank borrowings and amounts due to non-controlling shareholders. Details of the financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also has trade and other receivables, trade and other payables and borrowings denominated in foreign currencies.

(i) Non-derivative foreign currency monetary assets and monetary liabilities

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**8,378**	1,117	**–**	–
United States dollars	**19,561**	48,411	**4,737**	17,831
Renminbi	**12,037**	19,565	**346**	368
Others	**6,924**	4,597	**340**	680

In addition, inter-company balances denominated in foreign currencies other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,437**	449	**18,712**	28,866
United States dollars	**39,905**	–	**39,905**	–
Renminbi	**28,072**	44,903	**2,658**	2,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management *(continued)*

(i) ***Non-derivative foreign currency monetary assets and monetary liabilities*** *(continued)*

Foreign currency sensitivity

The directors consider that the exposure of Hong Kong dollars against United States dollars is limited as Hong Kong dollars is pegged to United States dollars and the Group is mainly exposed to the currency risk of Renminbi against Hong Kong dollars and United States dollars; and Hong Kong dollars against Renminbi.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2016: 5%) is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2016: 5%) change in foreign currency rates. A negative number indicates a decrease in profit before taxation where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2016: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit before taxation.

	Profit before taxation	
	2017	2016
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**395**	1,365
United States dollars	**1,887**	(21)
Renminbi	**(1,855)**	(3,078)
Others	**(329)**	(196)

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

42. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (note 24), time deposits (note 25), obligations under finance leases (note 29), and bank borrowings (note 28). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on variable-rate bank balances (note 25), amount due from an associate (note 20) and bank borrowings (note 28).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR, PBOC lending rate and the besting lending rate quoted by a bank arising from the Group's bank balances, amount due from an associate and borrowings denominated in Hong Kong dollars, United States dollars and Renminbi.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and amount due from an associate. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was existed for the whole year. A 50 (2016: 50) basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2016: 50) basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31st December, 2017 would have decreased/increased by HK$3,948,000 (2016: HK$2,496,000).

(e) Price risk management

Other price risk management

The Group is exposed to equity price risk through its investments in listed equity securities.

The Group's equity price risk is mainly concentrated on debt and equity instruments quoted in the Hong Kong Monetary Authority and the Frankfurt Stock Exchange respectively. The management closely monitors the price risk and will consider hedging the risk exposure should the need arise. The management considers the exposure of other price risk for its debt equity investment is not significant. Accordingly, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk management

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds risk is limited because the counterparties are banks with good reputation.

(g) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

At the end of the reporting period, the Group has available unutilised short and long-term banking facilities of HK$1,139,693,000 and HK$73,781,000 (2016: HK$1,651,044,000 and HK$154,435,000) respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the table for year 2016 details the Group's liquidity analysis of its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'000	1 – 2 years HK$'000	>2 – <5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2017 HK$'000
2017							
Non-derivative instruments							
Trade and other payables	–	329,649	–	–	–	329,649	329,649
Bank borrowings							
– Fixed interest rate	4.78	529	44,771	–	–	45,300	44,264
– Variable interest rate	2.59	776,514	27,779	–	–	804,293	803,675
Amounts due to non-controlling shareholders	–	3,200	–	–	–	3,200	3,200
Obligations under finance leases							
– Fixed interest rate	4.41	190	410	377	61	1,038	996
		1,110,082	72,960	377	61	1,183,480	1,181,784

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'000	1 – 2 years HK$'000	>2 – <5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2016 HK$'000
2016							
Non-derivative instruments							
Trade and other payables	–	198,565	–	–	–	198,565	198,565
Bank borrowings							
– Fixed interest rate	4.35	22,488	–	–	–	22,488	22,359
– Variable interest rate	2.70	436,514	45,566	28,779	–	510,859	508,894
Amounts due to non-controlling shareholders	–	14,970	–	–	–	14,970	14,970
Obligations under finance leases							
– Fixed interest rate	5.28	232	642	600	438	1,912	1,809
		672,769	46,208	29,379	438	748,794	746,597
Put option derivative	–	12,474	–	–	–	12,474	12,474
Obligation arising from a put option to non-controlling shareholders	–	31,050	–	–	–	31,050	31,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2017, the aggregate carrying amounts of these bank borrowings amounted to HK$764,197,000 (2016: HK$431,772,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. During that period, the aggregate principal and interest cash outflows will amount to HK$778,843,000 (2016: HK$439,807,000).

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	0 – 3 months HK$'000	**4 – 12 months** HK$'000	**1 – 2 years** HK$'000	**>2 – <5 years** HK$'000	**Total undiscounted cash outflows** HK$'000
31st December, 2017	**152,596**	**504,070**	**32,333**	**89,844**	**778,843**
31st December, 2016	187,429	188,729	7,529	56,120	439,807

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(h) Fair value measurement of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(h) Fair value measurement of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/financial liabilities	Fair value as at 31.12.2017	Fair value as at 31.12.2016	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available-for-sale investment – listed equity securities	**Asset – HK$4,173,000**	Asset – HK$3,384,000	Level 1	Quoted bid prices from a trading platform market	N/A	N/A
Available-for-sale investment – certificate of deposit	**Asset – HK$5,025,000**	N/A	Level 2	Adjusted market price quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority	N/A	N/A
Obligation arising from a put option to non-controlling shareholders in the consolidated statement of financial position	**N/A**	Liability – HK$31,050,000	Level 3	Reference to the unaudited consolidated net asset value of Fulwealth attributable to the Holders for the period up to the month immediately preceding the exercise date of the Put Option plus a premium of HK$12,650,000 representing HK$2.75 per option share with maximum aggregate consideration at HK$31,050,000	Net asset value of Fulwealth	The lower the net asset value, the lower the consideration
Put option derivative classified as derivative financial instruments in the consolidated statement of financial position	**N/A**	Liability – HK$12,474,000	Level 3	Binomial Option Pricing Model The key inputs are equity value of Fulwealth, exercise price, risk-free rate, exercise period, dividend yield, and volatility of the shares of Fulwealth	Equity value of Fulwealth of HK$3.969 per share is derived by income approach. The key inputs are unaudited consolidated net asset value and cash flow forecast of Fulwealth and expected return from the investors of 17.30% per annum developed using Capital Asset Pricing Model. Volatility of 30.96% is based on the average of the implied volatility of the comparable stocks.	A slight increase in the unaudited consolidated net asset value would result in a slight decrease in the fair value, and vice versa. A slight increase in the forecasted profit would result in a slight decrease in the fair value, and vice versa. A slight increase in the expected return from the investors would result in a slight increase in the fair value, and vice versa. A slight increase in the volatility would result in a slight increase in the fair value, and vice versa.

There were no transfer between Level 1 and 2 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

42. FINANCIAL INSTRUMENTS *(continued)*

(h) Fair value measurement of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial liabilities

	Obligation arising from a put option to non-controlling shareholders		Put option derivative		Total	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
At beginning of the year	**31,050**	31,050	**12,474**	12,660	**43,524**	43,710
Fair value gain	**–**	–	**–**	(186)	**–**	(186)
Exercised during the year	**–**	–	**(12,474)**	–	**(12,474)**	–
Settled during the year	**(31,050)**	–	**–**	–	**(31,050)**	–
At end of the year	**–**	31,050	**–**	12,474	**–**	43,524

The fair value gain of HK$186,000 for the year ended 31st December, 2016 was included in other gains and losses set out in note 7.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those 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.

	Bank borrowings HK$'000 (Note 28)	Amounts due to non-controlling shareholders HK$'000 (Note 27)	Obligations under finance leases HK$'000 (Note 29)	Dividend payables HK$'000 (Note 13)	Obligation arising from a put option to non-controlling shareholders HK$'000 (Note 30)	Interest payables (included in other payables) HK$'000	Total HK$'000
At 1st January, 2017	531,253	14,970	1,809	–	31,050	500	579,582
Financing cash flows	304,619	(16,330)	(813)	(25,287)	(31,050)	(17,771)	213,368
Dividend declared	–	–	–	25,287	–	–	25,287
Dividend declared to non-controlling shareholders of subsidiaries	–	4,560	–	–	–	–	4,560
Foreign exchange translation	12,067	–	–	–	–	–	12,067
Interest expenses	–	–	–	–	–	16,408	16,408
Interest capitalised in property, plant and equipment	–	–	–	–	–	1,642	1,642
At 31st December, 2017	**847,939**	**3,200**	**996**	**–**	**–**	**779**	**852,914**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of principal subsidiaries

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group 2017	2016	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Rope Holdings Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$18,162,854 Non-voting deferred shares	**100%**	100%	Investment holding
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares **	**95%**	95%	Investment holding and sales of printing materials, spare parts and machines
Dongguan Steel Wealth Metal Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$18,000,000 Registered capital	**100%**	77%	Operating a decoiling centre
Dongguan Widehold Metal Company Limited	Wholly foreign owned enterprise	PRC	HK$10,000,000 Registered capital	**100%**	77%	Sales of metal products
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**100%**	77%	Investment holding and operating a decoiling centre
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Concrete (HK) Limited	Incorporated	Hong Kong	HK$2,000,000 Ordinary shares	**100%**	100%	Sales of ready mixed concrete
Golik Concrete Supplies Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Sale of ready mixed concrete, and manufacturing and sale of other concrete products
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of warehouse services
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK$1,765,000 Ordinary shares HK$5,135,000 Non-voting deferred shares **	**100%**	100%	Investment holding and sales of metal products and plastic materials
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	**100%**	100%	Manufacturing and sales of reinforcing mesh and metal products, and rebar processing
Golik Precast Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares	**100%**	100%	Sales of concrete pipes and related products

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

General information of principal subsidiaries *(continued)*

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group 2017	2016	Principal activities
Golik Properties Limited *	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
Golik Steel (HK) Limited	Incorporated	Hong Kong	HK$1,321,270,853 Ordinary shares	**100%**	100%	Investment and properties holding, sales of steel bars and construction materials and provision for handling services
Jiangmen Golik Metal Manufacturing Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$15,500,000 Registered capital	**100%**	100%	Manufacturing and sales of metal products
Supreme Enterprises, Limited	Incorporated	Hong Kong	HK$82,636 Ordinary shares	**100%**	100%	Property investment
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of construction materials
Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun")	Sino-foreign equity joint venture	PRC	RMB60,000,000 Registered capital	**70.5%**	70.5%	Manufacturing and sales of steel wire ropes for elevators and high-end wire rope products
鶴山恒基鋼絲制品有限公司	Wholly foreign owned enterprise	PRC	US$6,380,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire products and steel ropes
鶴山高力金屬制品有限公司	Sino-foreign equity joint venture	PRC	US$3,380,000 Registered capital	**100%**	100%	Manufacturing and sales of reinforcing mesh and metal products

* Subsidiaries held directly by the Company.

** The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up except authorised by Articles of Association.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Note:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities of business	Principal place of incorporation	Number of subsidiaries	
		2017	2016
Investment holding	BVI	**5**	5
Investment holding	HK	**3**	3
Inactive	HK	**3**	3
Inactive	PRC	**2**	2
Inactive	Australia	**–**	1
Others	HK	**3**	3
Others	PRC	**1**	1
		17	18

Details of non-wholly owned subsidiaries that have material non-controlling interests

Details of TJ Goldsun and its subsidiary ("TJ Goldsun Group") and Fulwealth and its subsidiaries ("Fulwealth Group"), non-wholly owned subsidiaries with material non-controlling interests, and other individually immaterial subsidiaries with non-controlling interests are set out below.

	2017	2016
	HK$'000	HK$'000
Profit allocated to non-controlling interests of		
TJ Goldsun Group	**6,119**	10,955
Fulwealth Group (Note)	**1,305**	3,774
Individually immaterial subsidiaries	**(967)**	(2,246)
	6,457	12,483
Accumulated non-controlling interests of		
TJ Goldsun Group	**71,403**	64,077
Fulwealth Group (Note)	**–**	(11,525)
Individually immaterial subsidiaries	**(19,215)**	(18,248)
	52,188	34,304

Note: On 28th April, 2017, the Company acquired all remaining 23% of the equity interest of Fulwealth from non-controlling shareholders. Fulwealth became a wholly owned subsidiary since then. Thus, financial information of Fulwealth for the period ended 28th April, 2017 is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Summarised financial information in respect of TJ Goldsun Group and Fulwealth Group is set out below. The summarised financial information below represents the amounts before intra-group eliminations.

TJ Goldsun Group

	2017 HK$'000	2016 HK$'000
Current assets	**292,552**	231,717
Non-current assets	**147,565**	141,498
Current liabilities	**(196,528)**	(154,460)
Equity attributable to owners of TJ Goldsun Group	**172,186**	154,678
Non-controlling interests	**71,403**	64,077
Revenue	**436,293**	409,672
Expenses	**(415,551)**	(372,536)
Profit attributable to owners of TJ Goldsun Group	**14,623**	26,181
Profit attributable to the non-controlling interests	**6,119**	10,955
Profit for the year	**20,742**	37,136
Other comprehensive income (expense) to owners of TJ Goldsun Group	**11,033**	(9,821)
Other comprehensive income (expense) to the non-controlling interests	**4,617**	(4,109)
Other comprehensive income (expense) for the year	**15,650**	(13,930)
Total comprehensive income attributable to owners of TJ Goldsun Group	**25,656**	16,360
Total comprehensive income attributable to the non-controlling interests	**10,736**	6,846
Total comprehensive income for the year	**36,392**	23,206
Dividend paid to the non-controlling interests for the year	**(3,410)**	(3,406)
Net cash inflow from operating activities	**29,254**	6,326
Net cash outflow from investing activities	**(12,592)**	(6,379)
Net cash outflow from financing activities	**(27,404)**	(10,399)
Net cash outflow for the year	**(10,742)**	(10,452)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(continued)*

Fulwealth Group

	2017 HK$'000	2016 HK$'000
Current assets	–	209,120
Non-current assets	–	30,438
Current liabilities	–	(157,670)
Non-current liabilities	–	(2,394)
Total equity	–	79,494

	For the period ended 28th April, 2017 HK$'000	For the year ended 31st December, 2016 HK$'000
Revenue	**83,254**	254,942
Expenses	**(77,580)**	(238,533)
Profit attributable to owners of Fulwealth Group	**4,369**	12,635
Profit attributable to the non-controlling interests	**1,305**	3,774
Profit for the period/year	**5,674**	16,409
Other comprehensive expense to owners of Fulwealth Group	–	(3,427)
Other comprehensive expense to the non-controlling interests	–	(1,024)
Other comprehensive expense for the period/year	–	(4,451)
Total comprehensive income attributable to owners of Fulweath Group	**4,369**	9,208
Total comprehensive income attributable to the non-controlling interests	**1,305**	2,750
Total comprehensive income for the period/year	**5,674**	11,958
Dividend paid to the non-controlling interests for the period/year	**(1,150)**	(3,450)
Net cash inflow from operating activities	**6,984**	6,897
Net cash inflow from investing activities	**99**	317
Net cash outflow from financing activities	**(45,907)**	(5,284)
Net cash (outflow) inflow for the period/year	**(38,824)**	1,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 **HK$'000**	2016 HK$'000
Non-current Assets		
Property, plant and equipment	**2,274**	3,197
Investments in subsidiaries	**489,486**	471,152
Available-for-sale investment (note 21)	**4,173**	3,384
Deposits placed at insurance companies	**8,610**	8,154
Rental deposits	**1,574**	1,248
Deposits paid for acquisition of property, plant and equipment	**516**	273
	506,633	487,408
Current Assets		
Deposits, prepayment and other receivables	**498**	1,234
Amounts due from subsidiaries	**195,188**	218,709
Bank balances and cash	**1,367**	1,748
	197,053	221,691
Current Liabilities		
Accruals and other payables	**3,852**	3,612
Amounts due to subsidiaries	**169,098**	135,927
Put option derivative	**–**	12,716
Financial guarantee contracts liabilities	**18,866**	11,212
	191,816	163,467
Net Current Assets	**5,237**	58,224
	511,870	545,632
Capital and Reserves		
Share capital	**56,192**	56,192
Reserves	**455,678**	489,440
	511,870	545,632

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

MOVEMENT OF RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2016	316,466	65,891	2,754	121,625	506,736
Profit for the year	–	–	–	10,170	10,170
Other comprehensive income for the year					
Fair value gain on available-for-sale investment	–	–	630	–	630
Total comprehensive income for the year	–	–	630	10,170	10,800
Dividend paid	–	–	–	(28,096)	(28,096)
At 31st December, 2016	316,466	65,891	3,384	103,699	489,440
Loss for the year	–	–	–	(9,264)	(9,264)
Other comprehensive income for the year					
Fair value gain on an available-for-sale investment	–	–	789	–	789
Total comprehensive income (expense) for the year	–	–	789	(9,264)	(8,475)
Dividend paid	–	–	–	(25,287)	(25,287)
At 31st December, 2017	**316,466**	**65,891**	**4,173**	**69,148**	**455,678**