GOLIK
HOLDINGS LIMITED

2019 ANNUAL REPORT

Incorporated in Bermuda
with limited liability

Stock Code: 1118

ANNUAL REPORT 2019

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. PANG Tak Chung MH *(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 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
Lau, Horton & Wise LLP
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 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE
www.golik.com

STOCK CODE
1118

Financial Summary

RESULTS

	For the year ended 31st December,				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	2,524,502	2,160,454	2,742,207	3,087,200	**2,803,735**
Profit (loss) before taxation	124,809	110,681	69,168	(78,195)	**14,396**
Income taxes	(23,361)	(25,528)	(20,279)	(1,826)	**(5,945)**
Profit (loss) for the year	101,448	85,153	48,889	(80,021)	**8,451**
Profit (loss) for the year attributable to:					
Shareholders of the Company	92,740	72,670	42,432	(84,782)	**(6,233)**
Non-controlling interests	8,708	12,483	6,457	4,761	**14,684**
	101,448	85,153	48,889	(80,021)	**8,451**

ASSETS AND LIABILITIES

	At 31st December,				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	1,701,671	1,910,482	2,367,938	2,206,830	**2,358,997**
Total liabilities	(669,924)	(852,662)	(1,250,625)	(1,221,081)	**(1,389,410)**
Net assets	1,031,747	1,057,820	1,117,313	985,749	**969,587**
Equity attributable to shareholders of the Company	997,938	1,023,516	1,065,125	934,918	**908,435**
Non-controlling interests	33,809	34,304	52,188	50,831	**61,152**
Total equity	1,031,747	1,057,820	1,117,313	985,749	**969,587**

Business Profile

Metal Products

High-end Wire Rope Production Line in Tianjin, Mainland China

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

Steel Coil Processing Centre in Dongguan, Guangdong, Mainland China

Building Construction Materials

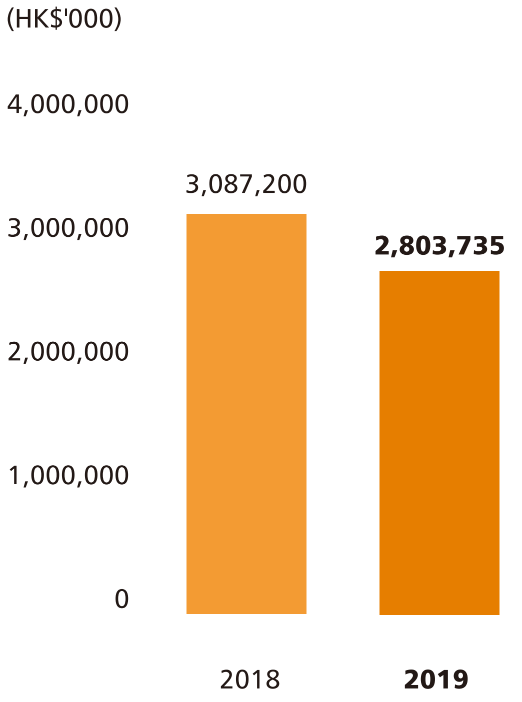
Steel Distribution

Supply of Ready Mixed Concrete

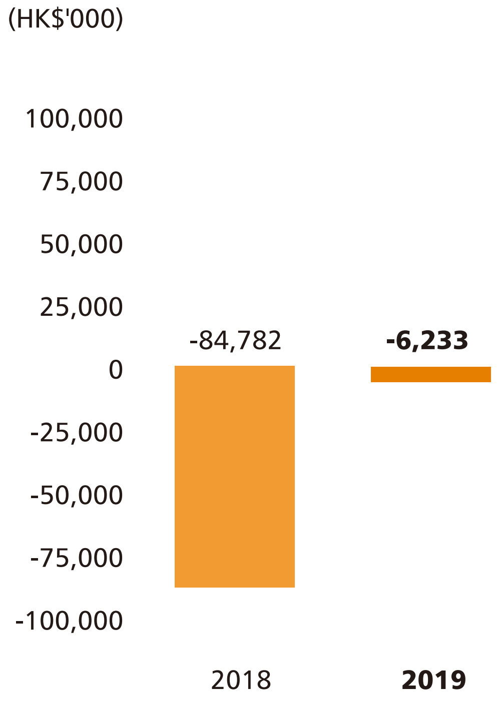
Automated Cut-and-bend Rebars Processing Plant in Tai Po, Hong Kong

Financial Highlights

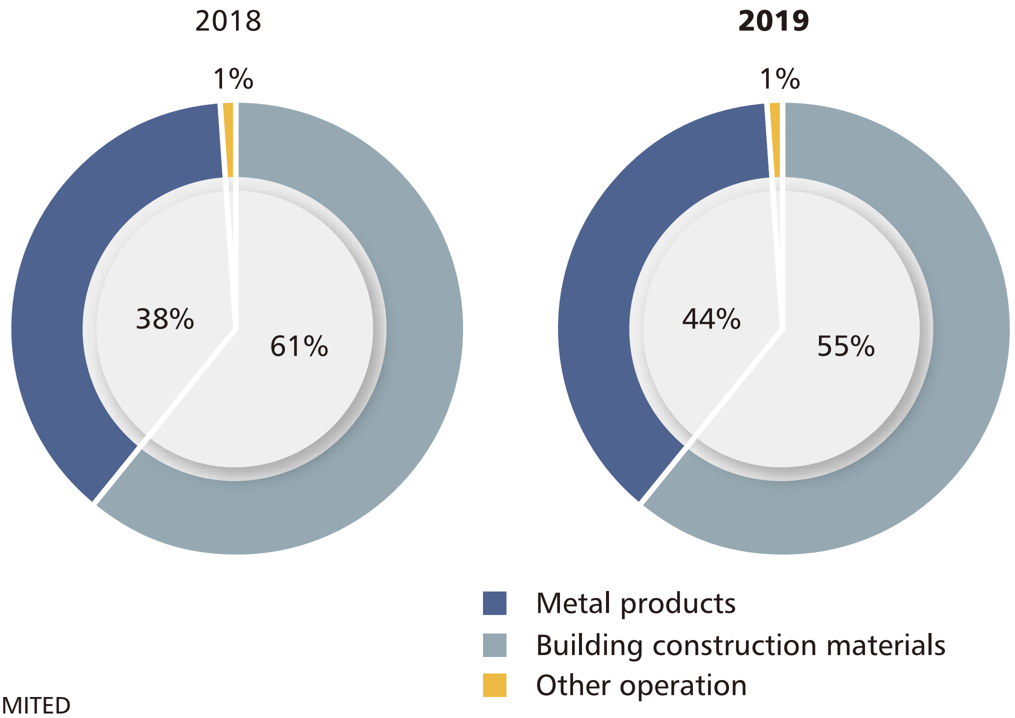
Revenue for the years ended 31st December, 2018 and 2019



Loss for the year attributable to shareholders of the Company for the years ended 31st December, 2018 and 2019



Revenue by operating segments for the years ended 31st December, 2018 and 2019



Chairman's Statement

By virtue of the unremitting efforts from our management and team, the group is confidence and dedicated to undergo the current challenges and restore the group's performance to another growth cycle as soon as possible.

Pang Tak Chung MH
Chairman

BUSINESS REVIEW

During the year, metal products and building construction materials represent the Group's two major core businesses.

For the year ended 31st December, 2019, the Group's total revenue was HK$2,803,735,000 representing a decrease of approximately 9% compared to last year.

The two major core businesses remained stable during the year, while the slight decrease in income was mainly attributable to the impact from the decrease of steel prices.

After the deduction of profit attributable to non-controlling interests, loss attributable to the Company amounted to HK$6,233,000, which is a remarkable improvement compared to last year.

During the year, the Group's overall businesses continued to operate in a challenging environment, especially the construction industry in Hong Kong was still in a severe depression. However, through the team's unremitting efforts, our result has recorded a significant improvement. Excluding the provision made for the disposals of certain non-core businesses due to business restructure and the non-operational and cash flow expenses under the new accounting standard (Hong Kong Financial Reporting Standard 16 *Leases*), overall result for businesses of the Group have basically returned to profit.

Chairman's Statement

Metal Products

The business is currently comprising of steel coil processing, steel wires, and steel wire rope products. Revenue for the year was HK$1,233,605,000, an increase of approximately 4% compared to last year. Profit before interest and taxation was HK$91,942,000, a drastic increase of approximately 90% compared to last year.

During the year, our metal products business remained stable. The relatively stable prices in raw materials and the good performance of our steel wire rope business in Tianjin, Mainland China have contributed to the greatly-improved efficiency. Benefited from the sound progress in the high-performance lifting wire rope market development and the increased capacity for elevator wire rope in the beginning of the year, both production volumes and performance for our steel wire rope products hit another new height.

The steel wire rope business in Tianjin, Mainland China is currently the largest elevator wire rope manufacturer in the world. Over the years, it provides stable supply of steel wire rope packages to international renowned elevator companies, such as OTIS, HITACHI, MITSUBISHI, THYSSEN, etc and has even replaced most of the imported products in recent years, which is an evidence to prove that the market has recognition and trust in the Group's production technology and quality of steel wire rope products.

Steel wire rope products, which include elevator wire rope and high-performance lifting wire rope, are the Group's key development projects in recent years, with the objective to become one of the best steel wire rope enterprise in Mainland China. For many years, our management and team have been devoting tremendous efforts in equipment investments, human resources trainings, product researches and developments as well as market expansion, meanwhile, we have also been tolerating for the negative impacts on the Group's results from years of developments, which is now become mature and entering into its harvest period. The Group is confident that with the dedicated efforts of the management and the team, the steel wire rope business is able to bring ideal returns to our shareholders.

Building Construction Materials

The business comprises mainly of ready mixed concrete, precast concrete products and distribution and processing of construction steel products in Hong Kong.

Revenue for the year was HK$1,561,518,000, a decrease of 17% compared to the corresponding period of last year. Profit before interest and taxation was HK$2,106,000, representing a significant improvement as compared to last year.

The Hong Kong construction industry is still in a difficult situation. Furthermore, our steel processing operation had a contract in relation to processing construction steel products that entered into during the year has been delayed for almost 1 year due to the settlement at the construction site, which has caused a certain extent of negative impact on the performance. Nevertheless, in the year, the Group enhanced various cost managements of the building construction material business, with a more prudence and focused on the soundness and sustainability of the building construction material business. During the year, the building construction material business obtained obvious improvements when compared to last year.

Although the general construction industry is still trapping in a sluggish market, with the commencements of a number of large-scale public works projects, such as expansion of the airport, developments in Kai Tak and West Kowloon and Tseung Kwan O Tunnel, as well as the coming years will be a peak season for public housing constructions, the Group remained optimistic about the building construction material business.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2019, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to HK$304,672,000 (31st December, 2018: HK$363,567,000). As at 31st December, 2019, current ratio (current assets to current liabilities) for the Group was 1.36:1 (31st December, 2018: 1.37:1).

As at 31st December, 2019, the total borrowings of the Group amounted to HK$791,461,000 (31st December, 2018: HK$1,024,098,000, including obligations under finance leases of HK$427,000).

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

The number of the Company's ordinary shares in issue as at 31st December, 2019 was 574,378,128 (31st December, 2018: 561,922,500).

On 31st July, 2019, 12,455,628 new fully paid ordinary shares were issued and allotted at HK$0.65 per share to the shareholders who elected to receive ordinary shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December, 2018.

As at 31st December, 2019, the equity attributable to the shareholders of the Company amounted to HK$908,435,000 (31st December, 2018: HK$934,918,000).

As at 31st December, 2019, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.50:1 (31st December, 2018: 0.67:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2019, the total number of staff of the Group was 1,557. 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

In the beginning of 2020, there was an outbreak of the novel coronavirus (COVID-19) pandemic, coupled with the social unrest in Hong Kong since June in last year, it is no doubt that the short-term business of the Group will experience huge shocks and challenges and slow down the recovery expectations for the Group's results, however, the steady upward trend for the development of the Group's business for the coming years will remain unchanged. Facing the current challenges, the Group will emphasis more on the stabilities of each business and various cost expenses, and further optimize its business portfolio. In particular, we will invest more to develop the domestic steel wire rope business, which has a relatively better situation. By virtue of the unremitting efforts from our management and team, the Group is confidence and dedicated to undergo the current challenges and restore the Group's performance to another growth cycle as soon as possible.

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 our 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 MH
Chairman

Hong Kong, 20th April, 2020

Biography of Directors and Senior Management

- **Mr. Pang Tak Chung MH**, aged 71, 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 44 years' experience in the trading and manufacturing industry in Hong Kong and Mainland China. He also has extensive experience in international trading practices. Furthermore, Mr. Pang is the honorary citizen of both Jiangmen and Heshan, Guangdong Province. In 2019, Mr. Pang was awarded the Medal of Honor by the Government of the Hong Kong Special Administrative Regions. Mr. Pang is the father of Ms. Pang Wan Ping, Executive Director of the Company.

- **Mr. Ho Wai Yu, Sammy**, aged 64, 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 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 39 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

- **Ms. Pang Wan Ping**, aged 42, 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 17 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 MH, the Chairman and Managing Director of the Company.

- **Mr. Lau Ngai Fai**, aged 62, 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 35 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 64, 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 39 years' advisory experience on taxation in Australia, Hong Kong and Mainland China.

Biography of Directors and Senior Management

- **Mr. Chan Yat Yan**, aged 64, 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 Mainland China 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 Mainland China market.

- **Mr. Lo Yip Tong**, 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. Mr. Lo is the principal of Y.T. Lo & Co Limited, Certified Public Accountants, Hong Kong and has over 34 years of experience in statistical, accounting, auditing and financial restructuring work. He is a Member of Hong Kong Institute of Certified Public Accountants.

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, 2019 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 MH 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.

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, 2019.

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 MH *(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. The Company Secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the Directors.

All Directors have provided to the Company their records of training which they have received during the year. Details as follows:

Name	Attending seminar(s) or programme(s)/ reading relevant materials
Executive Directors	
Mr. Pang Tak Chung MH	✓
Mr. Ho Wai Yu, Sammy	✓
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	✓

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 all Non-executive Directors are on 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 MH 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.

BOARD DIVERSITY

The Board adopted per the Company's self condition the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the appointments and/or recommendation for appointment will be based on objective criteria, having due regard to the benefits of diversity on the Board, including but not limited to, the candidates' gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board monitors, from time to time, the implementation of the Board Diversity Policy, and reviews, as appropriate, the policy to ensure the effectiveness of the Board Diversity Policy. The Board will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

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 objective criteria, having due regard to the benefits of diversity on the Board under the Board Diversity Policy.

NOMINATION POLICY

The Board has also adopted a nomination policy (the "Nomination Policy") which sets out the selection criteria and procedure of appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant experience in the industry, character and integrity and whether he/she can contribute to the diversity of the Board as detailed in the Board Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:

- nomination and invitation of suitable candidates by any member of the Board;
- evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy;
- performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;
- in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant code provisions of the CG Code and the Listing Rules;
- where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under Code provision A.5.5;
- in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and
- convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

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.

AUDIT COMMITTEE *(continued)*

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, 2019.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2019

	Number of Meetings attended/held during the year			
Name	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
Executive Directors				
Mr. Pang Tak Chung MH	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

DIVIDEND POLICY

The declaration, form, frequency and amount of any dividend payout of the Company must be in accordance with relevant laws, rules and regulations and subject to the articles of association of the Company. Subject to compliance with applicable laws, rules, regulations and the Articles of Association, in deciding whether to propose any dividend payout, the Board will take into account, among other things, the financial results, the earnings and distributable reserves, the operations and liquidity requirements, the debt ratio and possible effects on the credit lines, and the current and future development plans of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

An effective risk management is integral to developing the strategy that drives business objectives of the Group. The Board provides oversight of the risk management process. With the implement a top-down and company-wide risk management and internal control systems that covers every aspect of the business, the risk management process is incorporated into the daily operations. All employees are reminded to stay vigilant to potential risks in the operations. The Board evaluates impacts of the potential risks in order to identify and pay attention to major risks in the business. The risk management and internal control 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.

Delegation of management functions

The Board reserves its decision for all major matters in each the Group's business unit including approving and monitoring policy makings, overall strategies and budgets, internal controls systems and risk managements, material business transactions, capital commitments, bank credit arrangements, appointment of executive officers and other significant financial and operational matters.

The day to day management of each the Group's business unit is delegated to respective executive officer and operating management. The delegated functions and responsibilities are required to be reviewed periodically, approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Group's internal audit function carry out review work per respective pre-scheduled operation and procedure manual for each the Group's business unit periodically and submit its findings, if any, for the Audit Committee's review and comment to the Group's risk management and internal control systems. Recommendation if any made from the Audit committee, the Board is pleased to adopt where appropriate.

Handling and dissemination of inside information

The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules to formulate an inside information guideline on handling inside information and reminded the directors and employees about compliance with the guideline which is enforced in the staff handbook. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. 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 systems 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.

For the year ended 31st December, 2019, the Board considered the risk management and internal control systems of the Group to be effective and adequate. No significant areas of concern that might affect shareholders were identified.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31st December, 2019, 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
Audit fee for 2019 final results	2,878
Audit service fee for Occupational Retirement Schemes	8
Audit service fee for continuing connected transactions	15
Total fees	2,901

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.

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 Group considers sustainability as a direction for our long-term development.

The following pages mapped out some of the sustainability achievements during the year under review. The scope of the report includes data and activities from our headquarters in Hong Kong, and our manufacturing facilities in Hong Kong. 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.

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 2019, we once again sponsored HK$500,000 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

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 EN 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 9001:2015 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 interacts 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 employee and aims to 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.

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.

SUSTAINABILITY *(continued)*

Workplace Environment *(continued)*

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 now in any such operations of our subcontractors that are related to our products.

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 various 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 the Financial Year 2019, we collected and measured the environmental figures from 3 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 2019 was 2,420 tonnes of CO_2e, which decreased by 16.0% compared to Year 2018. The total direct and indirect carbon emissions (Scope 1 & 2) per production volume was 0.0121 tonne of CO_2e, while Year 2018 was 0.0115 tonne of CO_2e. The slight increase of total carbon emissions was due to a drop in production volume in Year 2019. Other emissions figures are: nitrogen oxides (NOx) emission was 5.04 tonnes, which increased by 8.86% compared to Year 2018. Sulfur oxides (SOx) emission was 11.37 kgs, almost the same as the figure from previous year and particulate matter (PM) emission was 362.4 kgs, which increased by 8.75% compared to Year 2018.

The Group constantly aims to carry out its business activity in line with the principles of sustainable growth and thus minimise its carbon dioxide 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 dioxide emissions are in line with the legal restrictions and, most importantly, are kept at the lowest possible level.

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.

SUSTAINABILITY *(continued)*

Environmental Protection *(continued)*

For Financial Year 2019, the total quantity of chemical waste was 0.4 tonne, which is 0.001 tonne per production volume. There was a huge decrease of 77.8% of total quantity of chemical waste compared to Year 2018. The total quantity of non-hazardous waste produced was 9,218 tonnes which is 0.026 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 2019, the total electricity consumption for the selected plants was 752,360 kWh, decreased by 15.1% compared to Year 2018. The electricity consumption was 3.78 kWh per production volume, increased by 6.8% compared to Year 2018. The total water consumption was 48,168 cubic meter, which is 0.24 cubic meter per production volume. The water consumption was decreased by 25.3% as well as the consumption per production volume has decreased by 7.7% for the Year 2018. The Group approach 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 for us 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 2019	Year 2018
Emissions data			
Nitrogen oxides (NOx) emission (tonnes)	A1.1	5.04	4.63
Sulfur oxides (SOx) emission (kgs)	A1.1	11.37	11.34
Particulate matter (PM) emission (kgs)	A1.1	362.40	333.23
Carbon emissions			
Total direct and indirect carbon emissions (tonnes of CO_2e)	A1.2	2,420	2,882
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonnes of CO_2e)	A1.2	0.0121	0.0115
Hazardous waste			
Chemical waste produced (tonnes)	A1.3	0.4	1.8
Total hazardous waste produced per production volume (tonnes)	A1.3	0.0010	0.0054
Non-hazardous waste			
Solid waste produced (tonnes)	A1.4	9,218	10,465
Total non-hazardous waste produced per production volume (tonnes)	A1.4	0.026	0.033
Resources consumption			
Electricity consumption (kWh)	A2.1	752,360	886,065
Electricity consumption per production volume (kWh)	A2.1	3.78	3.54
Water consumption (m^3)	A2.2	48,168	64,519
Water consumption per production volume (m^3)	A2.2	0.24	0.26

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2019.

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 45, 21 and 22 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK2 cents per share to the shareholders whose names appear on the register of members of the Company on 23rd June, 2020, amounting to HK$11,488,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$26,205,000. In addition, property, plant and equipment with carrying values of HK$846,000 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 18 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 34 and 35 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2019 were as follows:

	31.12.2019	31.12.2018
	HK$'000	HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**110,229**	107,952
	176,120	173,843

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 MH *(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. Ho Wai Yu, Sammy, Yu Kwok Kan, Stephen 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, 2019, 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, 2019, 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 MH (Note)	163,928,082	201,666,392	365,594,474	63.65%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Lau Ngai Fai	103,076	–	103,076	0.02%

Note: The 201,666,392 shares are held by Golik Investments Ltd. which is wholly owned by Mr. Pang Tak Chung MH.

Share options

No share option was outstanding as at 1st January, 2019 and 31st December, 2019. As at the date of this annual report, the total number of share options available for issue under the share option scheme was 574,378,128, representing 10% of the issued share capital of the Company. Particulars of the share option scheme of the Company are set out in note 34 to the consolidated financial statements.

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Shares in subsidiaries

As at 31st December, 2019, Mr. Pang Tak Chung MH had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 31st December, 2019, 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, 2019, 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.	201,666,392	35.11%

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, 2019, 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.

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 49% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 34% 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 35 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$855,000.

CORPORATE SOCIAL RESPONSIBILITY

Details of Corporate Social Responsibility Report of the Group are set out on pages 19 to 22 of this annual report.

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, 20th July, 2016 and 21st December, 2018. 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.

(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, 2021.

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 renewed and approved for three years ending 31st December, 2021.

The respective total rental and utilities expenses under the Property Lease Agreements paid or payable by TJ Goldsun for the year ended 31st December, 2019 which did not exceed the following respective annual caps:

	Amount paid or payable by TJ Goldsun RMB	**Annual caps amount** 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	43,634,461	58,000,000

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(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 renewed and approved for three years ending 31st December, 2021.

The respective processing charges under the New Processing Agreement paid or payable by TJ Goldsun for the year ended 31st December, 2019 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun RMB	**Annual cap amount** RMB
Processing charges under the New Processing Agreement	6,821,036	8,800,000

(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 renewed and approved for three years ending 31st December, 2021.

The respective rental income received or receivable by TJ Goldsun under the New Equipment Lease Agreement for the year ended 31st December, 2019 which did not exceed the following annual cap:

	Amount received or receivable by TJ Goldsun RMB	**Annual cap amount** 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 renewed and approved for three years ending 31st December, 2021.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

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, 2019 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun RMB	**Annual cap amount** RMB
Rental expenses	3,868,079	3,868,079

All Independent Non-executive Directors of the Company had reviewed and confirmed that the above transactions for the year ended 31st December, 2019 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 Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Transactions with an associate which are disclosed as related party transactions in note 41 to the consolidated financial statements of the annual report, do not fall under the definition of connected transaction or continuing connected transaction, or were fully exempt under Chapter 14A of the Listing Rules and thus are not disclosed above.

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 MH
Chairman

Hong Kong, 20th April, 2020

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 35 to 130, which comprise the consolidated statement of financial position as at 31st December, 2019, 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, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), 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.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") of trade receivables	
We identified the estimated provision of ECL of trade receivables as a key audit matter due to the significant management judgement and estimates involved in assessing the recoverability of trade receivables. As disclosed in note 4 to the consolidated financial statements, in determining the ECL of trade receivables, management assesses trade debtors collectively by using provision matrix of which groupings of various trade receivables that have similar loss patterns as reflected in the debtors' historical payment pattern. Trade debtors with significant balances that are credit-impaired are assessed for impairment individually. The provision matrix for groupings of trade debtors is based on debtors' historical payment pattern taking into consideration of quantitative, qualitative and forward-looking information that is reasonable and supportable available. As at 31st December, 2019, the carrying amount of trade receivables was HK$567,115,000 (net of impairment losses of HK$41,824,000).	Our procedures in relation to assessing the appropriateness of the impairment losses under ECL model included: • Obtaining an understanding of methodologies and assumptions made in determining the default rates for ECL assessment of trade debtors using provision matrix and trade debtors with significant balances that are credit-impaired; and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by discussing with the management; • Evaluating debtor's historical payment pattern by examining average trade debtors turnover period; and • Testing the integrity and arithmetic accuracy of the assessment made by management.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the 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 saleability 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, 2019, the carrying amount of inventories was HK$579,178,000 (net of write-down of inventories of HK$6,764,000).	Our procedures in relation to assessing the appropriateness of the write-down of inventories included: • Understanding 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 usages/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 saleability 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.

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 Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th April, 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5	**2,803,735**	3,087,200
Cost of sales		**(2,425,739)**	(2,842,229)
Gross profit		**377,996**	244,971
Other income	6	**23,271**	13,630
Interest income		**2,526**	1,819
Selling and distribution costs		**(115,121)**	(100,099)
Administrative expenses		**(171,011)**	(175,877)
(Impairment losses) reversal of impairment losses under ECL model, net	7	**(17,190)**	3,149
Other gains and losses	8	**342**	(6,484)
Other expenses		**(44,130)**	(32,610)
Finance costs		**(42,204)**	(26,664)
– Interest on bank borrowings		**(28,810)**	(26,634)
– Interest on lease liabilities/finance leases		**(13,394)**	(30)
Share of result of a joint venture		**(114)**	(84)
Share of result of an associate		**31**	54
Profit (loss) before taxation		**14,396**	(78,195)
Income taxes	9	**(5,945)**	(1,826)
Profit (loss) for the year	10	**8,451**	(80,021)
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		**(10,069)**	(21,481)
– Fair value gain on a debt instrument at fair value through other comprehensive income ("FVTOCI")		**–**	20
– Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI		**–**	19
Item that will not be reclassified to profit or loss:			
– Fair value gain (loss) on an equity instrument at FVTOCI		**1,029**	(881)
Other comprehensive expense for the year		**(9,040)**	(22,323)
Total comprehensive expense for the year		**(589)**	(102,344)
Profit (loss) for the year attributable to:			
Shareholders of the Company		**(6,233)**	(84,782)
Non-controlling interests		**14,684**	4,761
		8,451	(80,021)
Total comprehensive (expense) income for the year attributable to:			
Shareholders of the Company		**(13,598)**	(103,744)
Non-controlling interests		**13,009**	1,400
		(589)	(102,344)
		HK cents	HK cents
Basic loss per share	14	**1.10**	15.09

Consolidated Statement of Financial Position

At 31st December, 2019

	NOTES	31.12.2019 HK$'000	31.12.2018 HK$'000
Non-current Assets			
Investment properties	17	**4,020**	4,130
Property, plant and equipment	18	**471,319**	500,771
Prepaid lease payments	19	**–**	12,643
Right-of-use assets	20	**273,168**	–
Interest in a joint venture	21	**3,881**	3,995
Amount due from a joint venture	21	**–**	1,153
Interest in an associate	22	**–**	–
Amount due from an associate	22	**31**	9,622
Equity instrument at FVTOCI	23	**4,321**	3,292
Insurance policy assets	24	**12,790**	12,295
Rental and other deposits	26	**5,640**	10,174
Deposits paid for acquisition of property, plant and equipment		**11,143**	1,330
Loan receivables	26	**3,151**	3,936
Bank time deposits	27	**–**	2,282
		789,464	565,623
Current Assets			
Inventories	25	**579,178**	617,773
Trade, bills, loan and other receivables	26	**644,361**	654,416
Prepaid lease payments	19	**–**	451
Income tax recoverable		**5,191**	5,000
Bank time deposits with original maturity over three months	27	**2,232**	–
Bank balances and cash	27	**304,672**	363,567
		1,535,634	1,641,207
Assets classified as held for sale	16	**33,899**	–
		1,569,533	1,641,207
Current Liabilities			
Trade and other payables	28	**297,506**	159,806
Contract liabilities	29	**7,380**	7,037
Lease liabilities	30	**49,207**	–
Amounts due to non-controlling shareholders	31	**3,200**	3,200
Income tax payable		**4,674**	4,495
Bank borrowings	32	**791,461**	1,023,671
Obligations under finance leases	33	**–**	367
		1,153,428	1,198,576
Net Current Assets		**416,105**	442,631
		1,205,569	1,008,254

Consolidated Statement of Financial Position

At 31st December, 2019

	NOTES	31.12.2019 HK$'000	31.12.2018 HK$'000
Capital and Reserves			
Share capital	34	**57,438**	56,192
Share premium and reserves		**850,997**	878,726
Equity attributable to shareholders of the Company		**908,435**	934,918
Non-controlling interests		**61,152**	50,831
Total Equity		**969,587**	985,749
Non-current Liabilities			
Deferred tax liabilities	36	**17,280**	22,445
Lease liabilities	30	**218,702**	–
Obligations under finance leases	33	**–**	60
		235,982	22,505
		1,205,569	1,008,254

The consolidated financial statements on pages 35 to 130 were approved and authorised for issue by the Board of Directors on 20th April, 2020 and are signed on its behalf by:

PANG TAK CHUNG MH
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2019

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Mainland China statutory reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	FVTOCI reserve HK$'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, 2018	56,192	316,466	30,624	26,668	635	4,134	(21,186)	647,606	1,061,139	52,188	1,113,327
(Loss) profit for the year	–	–	–	–	–	–	–	(84,782)	(84,782)	4,761	(80,021)
Other comprehensive (expense) income for the year											
Exchange difference arising on translation of foreign operations	–	–	(18,120)	–	–	–	–	–	(18,120)	(3,361)	(21,481)
Fair value gain on a debt instrument at FVTOCI	–	–	–	–	–	20	–	–	20	–	20
Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI	–	–	–	–	–	19	–	–	19	–	19
Fair value loss on an equity instrument at FVTOCI	–	–	–	–	–	(881)	–	–	(881)	–	(881)
Total comprehensive (expense) income for the year	–	–	(18,120)	–	–	(842)	–	(84,782)	(103,744)	1,400	(102,344)
Dividends paid to the shareholders of the Company (note 13)	–	–	–	–	–	–	–	(22,477)	(22,477)	–	(22,477)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,757)	(2,757)
Transfer between reserves	–	–	–	2,740	–	–	–	(2,740)	–	–	–
At 31st December, 2018	56,192	316,466	12,504	29,408	635	3,292	(21,186)	537,607	934,918	50,831	985,749
Adjustment (note 2)	–	–	–	–	–	–	–	(9,622)	(9,622)	–	(9,622)
At 1st January, 2019	56,192	316,466	12,504	29,408	635	3,292	(21,186)	527,985	925,296	50,831	976,127
(Loss) profit for the year	–	–	–	–	–	–	–	(6,233)	(6,233)	14,684	8,451
Other comprehensive (expense) income for the year											
Exchange difference arising on translation of foreign operations	–	–	(8,394)	–	–	–	–	–	(8,394)	(1,675)	(10,069)
Fair value gain on an equity instrument at FVTOCI	–	–	–	–	–	1,029	–	–	1,029	–	1,029
Total comprehensive (expense) income for the year	–	–	(8,394)	–	–	1,029	–	(6,233)	(13,598)	13,009	(589)
Cash dividends paid to the shareholders of the Company (note 13)	–	–	–	–	–	–	–	(3,141)	(3,141)	–	(3,141)
Shares issued in lieu of dividend under scrip dividend scheme (note 13)	1,246	6,851	–	–	–	–	–	(8,097)	–	–	–
Expenses paid under scrip dividend scheme	–	(122)	–	–	–	–	–	–	(122)	–	(122)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,688)	(2,688)
Transfer between reserves	–	–	–	3,597	–	–	–	(3,597)	–	–	–
At 31st December, 2019	**57,438**	**323,195**	**4,110**	**33,005**	**635**	**4,321**	**(21,186)**	**506,917**	**908,435**	**61,152**	**969,587**

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2019

Notes:

(a) Mainland China statutory reserve is a reserve required by the relevant laws in Mainland China applicable to subsidiaries in Mainland China 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, which was transferred from non-controlling interest upon the exercise of a put option by non-controlling shareholders.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**14,396**	(78,195)
Adjustments for:		
Fair value loss (gain) on investment properties	**110**	(150)
(Gain) loss on disposal of property, plant and equipment	**(605)**	711
Amortisation of prepaid lease payments	**–**	460
Net change of provision of inventories	**(27,592)**	1,684
Depreciation of property, plant and equipment	**36,559**	37,972
Depreciation of right-of-use assets	**63,029**	–
Interest income	**(2,526)**	(1,819)
Finance costs	**42,204**	26,664
Share of result of a joint venture	**114**	84
Share of result of an associate	**(31)**	(54)
Loss on redemption of a debt instrument at FVTOCI	**–**	19
Impairment losses (reversal of impairment losses) under ECL model, net	**17,190**	(3,149)
Operating cash flows before movements in working capital	**142,848**	(15,773)
Decrease (increase) in inventories	**63,180**	(31,256)
(Increase) decrease in rental and other deposits and trade, bills and other receivables	**(9,549)**	136,850
Increase in insurance policy assets	**(495)**	(520)
Increase (decrease) in trade and other payables	**141,034**	(188,131)
Increase (decrease) in contract liabilities	**488**	(2,831)
Cash from (used in) operations	**337,506**	(101,661)
Hong Kong Profits Tax paid	**(1,632)**	(7,654)
Hong Kong Profits Tax refunded	**531**	244
Taxation outside Hong Kong paid	**(13,938)**	(9,747)
Taxation outside Hong Kong refunded	**4,102**	3,695
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**326,569**	(115,123)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2019

	2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(26,062)**	(41,928)
Deposits paid for acquisition of property, plant and equipment	**(10,577)**	(764)
Payments for rental deposits	**(809)**	–
Interest received	**2,119**	1,752
Proceeds from disposal of property, plant and equipment	**1,451**	561
Repayment from a joint venture	**1,153**	3,915
Repayment of loan receivables	**752**	693
Advance of loan receivables	**–**	(65)
Proceeds from disposal of a debt instrument at FVTOCI	**–**	5,044
NET CASH USED IN INVESTING ACTIVITIES	**(31,973)**	(30,792)
FINANCING ACTIVITIES		
Repayment of trust receipt loans	**(1,408,471)**	(1,556,160)
Repayment of bank loans	**(620,050)**	(295,115)
Repayments of lease liabilities/obligations under finance leases	**(55,854)**	(569)
Interest paid	**(42,302)**	(26,623)
Cash dividends paid	**(3,141)**	(22,477)
Dividend paid to non-controlling interests	**(2,688)**	(2,757)
Expenses paid under scrip dividend scheme	**(122)**	–
Trust receipt loans raised	**1,119,862**	1,748,058
Bank loans raised	**679,946**	286,416
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(332,820)**	130,773
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(38,224)**	(15,142)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**363,567**	383,167
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,080)**	(4,458)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**323,263**	363,567
REPRESENTED BY:		
Bank balances and cash	**304,672**	363,567
Bank balances and cash under assets held for sale	**18,591**	–
	323,263	363,567

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2019

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 MH ("Mr. Pang"), 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 principal activities of its subsidiaries are manufacturing and sales of metal products and building construction materials. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 *Leases* *(continued)*

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities ranges from 3.60% to 5.39%.

	Notes	At 1st January, 2019 HK$'000
Operating lease commitments disclosed as at 31st December, 2018		413,569
Adjustments for:		
Lease liabilities resulting from lease modifications of existing leases	#	21,093
Recognition exemption – short-term leases		(734)
Total future finance costs		(125,552)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		308,376
Add: Obligations under finance leases recognised at 31st December, 2018	(b)	427
Lease liabilities as at 1st January, 2019		308,803
Analysed as:		
Current		53,430
Non-current		255,373
		308,803

\# The Group renewed the leases of several existing land and buildings by entering into new lease contracts which commence after date of initial application. These new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 *Leases* *(continued)*

As a lessee (continued)

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		308,376
Adjustments on rental deposits at 1st January, 2019	(a)	868
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	(b)	416
Reclassified from prepaid lease payments	(c)	13,094
		322,754
By class:		
Leasehold land		13,094
Land and buildings		230,898
Plant and machinery and equipment		78,346
Motor vehicles		416
		322,754

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for those leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1st January, 2019. The application has had no impact on the Group's consolidated statement of financial position at 1st January, 2019. However, effective from 1st January, 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 *Leases* *(continued)*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31.12.2018	Adjustments	Carrying amounts under HKFRS 16 at 1.1.2019
		HK$'000	HK$'000	HK$'000
Non-current Assets				
Property, plant and equipment	(b)	500,771	(416)	500,355
Prepaid lease payments	(c)	12,643	(12,643)	–
Right-of-use assets		–	322,754	322,754
Rental and other deposits	(a)	10,174	(868)	9,306
Current Assets				
Prepaid lease payments	(c)	451	(451)	–
Current Liabilities				
Lease liabilities		–	53,430	53,430
Obligations under finance leases	(b)	367	(367)	–
Non-current Liabilities				
Lease liabilities		–	255,373	255,373
Obligations under finance leases	(b)	60	(60)	–

Notes:

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$868,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK$416,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$367,000 and HK$60,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019.

(c) Upfront payments for leasehold land in Mainland China were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$451,000 and HK$12,643,000 respectively were reclassified to right-of-use assets.

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

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

2.1 HKFRS 16 *Leases* *(continued)*

The initial application of HKFRS 16 has no significant impact to the carrying amounts of interests in a joint venture and an associate.

Except for the above, the application of HKFRS 16 has no other significant impact to the consolidated financial statements.

2.2 Impacts and changes in accounting policies of application of Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that the Group applies HKFRS 9 *Financial Instruments* ("HKFRS 9"), including the impairment requirements to long-term interests in an associate or a joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account any adjustments to their carrying amount required by HKAS 28 *Investments in Associates and Joint Ventures* ("HKAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

The Group has applied Amendments to HKAS 28 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

As at 31st December, 2018, amount due from an associate of HK$9,622,000 was considered as a long-term interest that, in substance form part of the Group's net investment in the relevant associate. The adoption of Amendments to HKAS 28 resulted in additional impairment losses under ECL model of HK$9,622,000 recognised against retained profits.

The following adjustment was made to the amount recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31.12.2018	**Adjustments**	**Carrying amounts under Amendments to HKAS 28 at 1.1.2019**
	HK$'000	HK$'000	HK$'000
Non-current Assets			
Amount due from an associate	9,622	(9,622)	–
Total Equity			
Retained profits	537,607	(9,622)	527,985

Except for the above, the application of Amendments to HKAS 28 has no other significant impact to the consolidated financial statements.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1st January, 2021.

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020.

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, 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1st January, 2020.

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1st January, 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

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

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

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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

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.

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.

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 HKFRS 16 (since 1st January, 2019) or HKAS 17 (before application of HKFRS 16), 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*.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 Group. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 or any of the CGU within the group of CGU(s), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, 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 is not allocated to any asset, including goodwill, that 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 HKFRS 9, 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 of 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.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Assets held for sale *(continued)*

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers

The Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values 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 "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property 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 (including the relevant leasehold land under HKFRS 16 or prepaid lease payments under HKAS 17) 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.

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.

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, adjusted to exclude any prepaid or accrued operating lease income.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred, mainly including expenses for study and research on market trend, quality assurance for product and project and staff technicality training.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components (i.e. building management fee) from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payment on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement at lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be paid the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2) *(continued)*

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group as a lessee (prior to 1st January, 2019)

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.

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 for "Borrowing costs" 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 term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

The Group as a lessor (prior to 1st January, 2019)

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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 difference arising, if any, is recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interest 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 difference accumulated in equity in respect of that operation attributable to the shareholders of the Company is 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.

Effective from 1st January, 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Insurance policy assets

Insurance policy assets are stated in the consolidated statement of financial position at cost, plus accumulated interest earned and minus the accumulated monthly insurance premium expenses charged, less subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 (loss) before taxation 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax *(continued)*

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies requirements of HKAS 12 *Income Taxes* to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment losses are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade, bills, loan and other receivables, amount due from a joint venture, amount due from an associate, bank time deposits, bank time deposits with original maturity over three months and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with groupings of various trade receivables that have similar loss patterns as reflected in the debtors' historical payment pattern. Trade debtors with significant balances that are credit-impaired are assessed for impairment individually.

For all other instruments, the Group measures the impairment losses equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, bills receivables, loan receivables and other receivables, where the corresponding adjustment is recognised through an impairment loss account. For investments in debt instruments that are measured at FVTOCI, the impairment loss is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Derecognition of financial assets

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCL reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments 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 the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on property, plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these 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).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In addition, corporates assets are allocated to individual CGUs when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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 a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. 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 or the group of CGUs. 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 or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) 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 a CGU or a group of CGUs) 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 Mainland China 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 HKFRSs require or permit 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.

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

Estimated provision of ECL for trade receivables

The management of the Group uses provision matrix to calculate ECL collectively for trade receivables by groupings of various trade debtors that have similar loss patterns as reflected in the debtors' historical payment pattern. The provision matrix for groupings of trade debtors is based on debtors' historical payment pattern taking into consideration of quantitative and qualitative information that is reasonable and supportable available without undue cost or effort. At every reporting date, the historical payment patterns are reassessed and changes in the forward-looking information are considered. Trade debtors with significant balances that are credit-impaired are assessed for impairment individually.

As at 31st December, 2019, the carrying amount of trade receivables was HK$567,115,000 (net of impairment losses of HK$41,824,000) (2018: HK$580,881,000 (net of impairment losses of HK$24,963,000)). For the year ended 31st December, 2019, the impairment losses recognised amounted to HK$17,115,000 (2018: reversal of impairment losses of HK$3,242,000).

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 43(f) and 26.

Write-down of inventories

The Group's inventories include steel products, concrete products, other construction products and printing materials. The write-down of inventories are mainly related to steel products. The valuation of steel products are subject to fluctuation of market prices. 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 prices of steel products.

Moreover, the management also reviews the usability and saleability 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, 2019, the carrying amount of inventories is HK$579,178,000 (net of write-down of inventories of HK$6,764,000) (2018: HK$617,773,000 (net of write-down of inventories of HK$34,465,000)). For the year ended 31st December, 2019, the net decrease of provision of inventories was HK$27,592,000 (2018: net increase of HK$1,684,000).

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

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates, the growth rate or the budgeted gross margins in the cash flow projections, could materially affect the net present value used in the impairment test.

As at 31st December, 2019, the carrying amounts of property, plant and equipment and right-of-use assets are HK$471,319,000, and HK$273,168,000 (2018: HK$500,771,000 and Nil) respectively. No impairment loss has been provided in respect of property, plant and equipment and right-of-use assets for both years ended 31st December, 2019 and 2018.

5. REVENUE AND SEGMENT INFORMATION

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 operation relating to printing materials is presented as other operation.

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2019

Segments	**Metal products HK$'000**	**Building construction materials HK$'000**	**Other operation HK$'000**	**Total HK$'000**
Types of goods				
Steel coil processing, steel wires and wire rope products	**1,227,554**	**–**	**–**	**1,227,554**
Concrete products	**–**	**276,412**	**–**	**276,412**
Construction steel products and processing, and other construction products	**–**	**1,282,859**	**–**	**1,282,859**
Printing materials	**–**	**–**	**16,910**	**16,910**
Total	**1,227,554**	**1,559,271**	**16,910**	**2,803,735**

For the year ended 31st December, 2018

Segments	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000
Types of goods				
Steel coil processing, steel wires and wire rope products	1,181,167	–	–	1,181,167
Concrete products	–	275,008	–	275,008
Construction steel products and processing, and other construction products	–	1,597,783	–	1,597,783
Printing materials	–	–	33,242	33,242
Total	1,181,167	1,872,791	33,242	3,087,200

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers *(continued)*

The Group sells metal products and building construction materials directly to corporate customers. Revenue is recognised when control of the goods has been transferred, being at the point in time when the goods are delivered to the customer's specific location.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days to its customers. As at 31st December, 2019 and 2018, the Group had no unsatisfied or partially unsatisfied performance obligations.

Under the Group's standard contract terms, customers have a right to exchange for products. The Group uses its accumulated historical experience to estimate the number of exchange on a portfolio level. Revenue is recognised for sales which are considered highly probable that a significant reversal in the cumulative revenue recognised will not occur. A contract liability is recognised for sales in which revenue has yet been recognised.

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

2019

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,227,554	1,559,271	2,786,825	16,910	–	2,803,735
Inter-segment sales	6,051	2,247	8,298	–	(8,298)	–
Total	1,233,605	1,561,518	2,795,123	16,910	(8,298)	2,803,735
SEGMENT RESULT	91,942	2,106	94,048	(23,348)	31	70,731
Unallocated other income						1,893
Unallocated corporate expenses						(15,831)
Fair value loss on investment properties						(110)
Finance costs						(42,204)
– Interest on bank borrowings						(28,810)
– Interest on lease liabilities						(13,394)
Share of result of a joint venture						(114)
Share of result of an associate						31
Profits before taxation						14,396

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers *(continued)*

2018

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,181,167	1,872,791	3,053,958	33,242	–	3,087,200
Inter-segment sales	5,202	7	5,209	–	(5,209)	–
Total	1,186,369	1,872,798	3,059,167	33,242	(5,209)	3,087,200
SEGMENT RESULT	48,321	(75,470)	(27,149)	(6,795)	117	(33,827)
Unallocated other income						1,833
Unallocated corporate expenses						(19,657)
Fair value gain on investment properties						150
Finance costs						(26,664)
– Interest on bank borrowings						(26,634)
– Interest on finance leases						(30)
Share of result of a joint venture						(84)
Share of result of an associate						54
Loss before taxation						(78,195)

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 (loss) gain on investment properties, 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.

For the year ended 31st December, 2019

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

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

2019

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	19,386	15,849	35,235	14	1,310	36,559
Depreciation of right-of-use assets	13,399	42,441	55,840	–	7,189	63,029
(Reversal of) impairment losses under ECL model, net	(654)	(2,119)	(2,773)	19,894	69	17,190
Net change of provision of inventories	(3,402)	(23,390)	(26,792)	(800)	–	(27,592)
(Gain) loss on disposal of property, plant and equipment	(576)	3	(573)	(32)	–	(605)
Addition of property, plant and equipment	24,661	1,263	25,924	–	281	26,205
Addition of right-of-use assets	1,163	18,379	19,542	–	14	19,556

2018

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	23,057	14,082	37,139	26	807	37,972
Amortisation of prepaid lease payments	426	34	460	–	–	460
(Reversal of) impairment losses under ECL model, net	(246)	(4,068)	(4,314)	1,072	93	(3,149)
Net change of provision of inventories	274	1,410	1,684	–	–	1,684
Loss on disposal of property, plant and equipment	113	598	711	–	–	711
Addition of property, plant and equipment	29,649	15,167	44,816	7	2	44,825

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

The Group operates in two principal geographical areas, namely Hong Kong and Mainland China.

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:

2019

	Revenue from external customers				
	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000	Non-current assets HK$'000
Hong Kong	8,219	1,488,978	6,024	1,503,221	371,723
Mainland China	1,171,181	17,780	10,442	1,199,403	405,227
Macau	19	45,595	233	45,847	–
Others	48,135	6,918	211	55,264	–
	1,227,554	1,559,271	16,910	2,803,735	776,950

Note: Non-current assets excluded amount due from an associate, equity instrument at FVTOCI, rental deposits and loan receivables.

2018

	Revenue from external customers				
	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000	Non-current assets HK$'000
Hong Kong	13,707	1,805,239	9,982	1,828,928	314,497
Mainland China	1,113,188	20,605	21,922	1,155,715	230,841
Macau	–	45,874	882	46,756	–
Others	54,272	1,073	456	55,801	–
	1,181,167	1,872,791	33,242	3,087,200	545,338

Note: Non-current assets excluded amounts due from a joint venture and an associate, equity instrument at FVTOCI, loan receivables and bank 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.

For the year ended 31st December, 2019

6. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income from property, plant and equipment (Note a)	**506**	634
Rental income from investment properties (Note a)	**170**	237
Sales of scraps and samples	**6,992**	5,300
Claims received	**4,762**	1,309
Crane and weighbridge income	**1,403**	893
Processing income	**1,385**	1,559
Government grants (Note b)	**5,450**	1,839
Transportation income	**768**	773
Storage income	**408**	373
Sundry income	**1,427**	713
	23,271	13,630

Notes:

(a) During the year ended 31st December, 2019, the Group recognised lease income of HK$611,000 (2018: HK$841,000) for operating leases as a lessor. The lease payments are fixed for both years.

(b) During the year ended 31st December, 2019, two subsidiaries of the Company in Mainland China received government grants, which mainly comprise of HK$4,120,000 (2018: Nil) as social insurance subsidy, HK$26,000 (2018: HK$865,000) as an encouragement for operating in an economic development zone in Tianjin, and HK$1,137,000 (2018: HK$974,000) as fund for "High-tech Enterprises" in Guangdong province respectively.

7. IMPAIRMENT LOSSES (REVERSAL OF IMPAIRMENT LOSSES) UNDER ECL MODEL, NET

	2019 HK$'000	2018 HK$'000
Impairment losses (reversal of impairment losses) on:		
– Trade receivables	**17,115**	(3,242)
– Loan receivables	**–**	24
– Other receivables	**75**	69
	17,190	(3,149)

Details of impairment assessment are set out in note 43(f).

For the year ended 31st December, 2019

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Fair value loss (gain) on investment properties	**110**	(150)
(Gain) loss on disposal of property, plant and equipment	**(605)**	711
Net exchange loss	**153**	5,904
Loss on redemption of a debt instrument at FVTOCI	**–**	19
	(342)	6,484

9. INCOME TAXES

	2019 HK$'000	2018 HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	**1,208**	1,010
Mainland China Enterprise Income Tax	**12,267**	8,170
Withholding tax paid for distributed profits in Mainland China	**1,922**	539
	15,397	9,719
Overprovision in prior years		
Hong Kong Profits Tax	**(53)**	(443)
Mainland China Enterprise Income Tax	**(4,234)**	(4,520)
	(4,287)	(4,963)
Deferred taxation (note 36)	**(5,165)**	(2,930)
	5,945	1,826

9. INCOME TAXES *(continued)*

On 21st March, 2018, the Hong Kong Legislative Council passes the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of taxable profits of qualifying corporations will be taxed at 8.25%, and taxable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime are applicable to the Group for its annual reporting periods beginning on or after 1st January, 2018. The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

Under the Law of Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Chinese subsidiaries is 25%. In addition, a Chinese 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 2019. Another three Chinese subsidiaries were qualified as "Small Low-profit Enterprise" in Guangdong and subject to an Enterprise Income Tax Rate of 5% for the first Renminbi ("RMB") 1 million of taxable profits and 10% for the taxable profits above RMB1 million but not exceeding RMB3 million. Further, withholding income tax of 10% is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some Chinese entities held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to Mainland China tax regulations if such companies are the beneficial owner of over 25% of these Chinese entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Chinese 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, 2019 and 2018, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

9. INCOME TAXES *(continued)*

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

	Hong Kong		Mainland China		Total	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit before taxation	**(56,108)**	(126,552)	**70,504**	48,357	**14,396**	(78,195)
Domestic income tax rate	**16.50%**	16.50%	**25.00%**	25.00%		
Tax at the domestic income tax rate	**(9,258)**	(20,881)	**17,626**	12,089	**8,368**	(8,792)
Tax effect of share of result of a joint venture	**–**	–	**29**	21	**29**	21
Tax effect of share of result of an associate	**(5)**	(9)	**–**	–	**(5)**	(9)
Tax effect of expenses not deductible for tax purpose	**618**	853	**2,736**	403	**3,354**	1,256
Tax effect of income not taxable for tax purpose	**(770)**	(160)	**(31)**	(198)	**(801)**	(358)
Tax effect of tax losses not recognised	**9,545**	17,716	**–**	–	**9,545**	17,716
Tax effect of utilisation of tax losses previously not recognised	**(1,820)**	(169)	**–**	–	**(1,820)**	(169)
Tax effect of other deductible temporary differences not recognised	**115**	279	**1,783**	–	**1,898**	279
Tax effect of utilisation of other temporary differences not recognised	**(1,090)**	(722)	**(565)**	(1,961)	**(1,655)**	(2,683)
Effect of tax concession granted to Chinese subsidiaries	**–**	–	**(9,508)**	(2,366)	**(9,508)**	(2,366)
Withholding tax paid	**1,922**	539	**–**	–	**1,922**	539
Withholding tax on retained profits to be distributed	**150**	290	**–**	–	**150**	290
Overprovision in prior years	**(53)**	(443)	**(4,234)**	(4,520)	**(4,287)**	(4,963)
Income tax at concessionary rate	**(165)**	(165)	**–**	–	**(165)**	(165)
Others	**(1,277)**	1,048	**197**	182	**(1,080)**	1,230
Income taxes for the year	**(2,088)**	(1,824)	**8,033**	3,650	**5,945**	1,826

Details of deferred taxation are set out in note 36.

For the year ended 31st December, 2019

10. PROFIT (LOSS) FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**–**	460
Auditor's remuneration		
Current year	**3,552**	3,815
Underprovision in prior years	**60**	273
Cost of inventories recognised as expense including net decrease of provision of HK$27,592,000 (2018: net increase of provision of HK$1,684,000)	**2,425,739**	2,842,229
Depreciation of property, plant and equipment	**36,559**	37,972
Depreciation of right-of-use assets	**63,029**	–
Interest income on rental deposits	**(320)**	–
Research expenditure included in other expenses (including worker and staff costs of HK$13,672,000 (2018: HK$11,475,000) and depreciation of right-of-use assets of HK$1,303,000 (2018: minimum lease payments for operating leases of HK$3,863,000))	**34,323**	32,610
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	**263,461**	268,038

During the year ended 31st December, 2019, depreciation of right-of-use assets in relation to director's accommodation amounting to HK$1,866,000 is included in directors' emoluments under worker and staff costs.

During the year ended 31st December, 2018, minimum lease payments for operating leases in respect of directors' accommodation amounting to HK$1,931,000 were included in director's emoluments under worker and staff costs.

For the year ended 31st December, 2019

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 Hong Kong Companies Ordinance, is as follows:

	Mr. Pang 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$'000 (Note b)	2019 Total HK$'000
Fees	–	–	–	–	217	217	217	651
Other emoluments								
Salaries and other benefits	6,038	3,664	1,048	2,810	–	–	–	13,560
Bonus*	1,000	1,000	168	460	–	–	–	2,628
Contributions to retirement benefits scheme	–	293	81	140	–	–	–	514
	7,038	4,957	1,297	3,410	217	217	217	17,353

	Mr. Pang 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$'000 (Note b)	2018 Total HK$'000
Fees	–	–	–	–	210	210	210	630
Other emoluments								
Salaries and other benefits	5,892	3,534	998	2,740	–	–	–	13,164
Bonus*	1,400	1,400	250	650	–	–	–	3,700
Contributions to retirement benefits scheme	–	283	72	137	–	–	–	492
	7,292	5,217	1,320	3,527	210	210	210	17,986

* The executive directors of the Company are entitled to discretionary bonus payments which are determined based on the performance and effort of the individual executive directors and the performance of the Group.

Notes:

(a) The executive directors' emoluments shown above were for their services in connection with the management of the affairs and effects 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 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, 2019 and 2018.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2018: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2018: two individuals) are as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**4,177**	3,894
Contributions to retirement benefits scheme	**109**	15
	4,286	3,909

Their emoluments were within the following bands:

	2019 **Number of employees**	2018 Number of employees
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	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

On 31st July, 2019, 12,455,628 new fully paid ordinary shares were issued and allotted at HK$0.65 per share to the shareholders who elected to receive ordinary shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December, 2018. The scrip share alternative was accepted by the majority of shareholders.

	2019	2018
	HK$'000	HK$'000
Dividends paid:		
2019 Interim – Nil (2018: HK1 cent)		
per ordinary share	**–**	5,619
2018 Final – HK2 cents (2018: 2017 Final – HK3 cents)		
per ordinary share		
– Cash	**3,141**	16,858
– Scrip share	**8,097**	–
	11,238	22,477
Dividend proposed:		
Final dividend proposed for the year		
– HK2 cents (2018: HK2 cents) per ordinary share	**11,488**	11,238

The directors proposed the payment of a final dividend of HK2 cents per share for the year ended 31st December, 2019 which is subject to the approval by the shareholders at the forthcoming annual general meeting.

14. LOSS PER SHARE

The calculation of the basic loss per share attributable to the shareholders of the Company is based on the following data:

	2019	2018
Loss for the year attributable to shareholders of the Company	**HK$6,233,000**	HK$84,782,000
Weighted average number of ordinary shares in issue (Note)	**567,143,626**	561,922,500
Basic loss per share	**HK1.10 cents**	HK15.09 cents

Note: The weighted average number of ordinary shares in issue for the purposes of basic loss per share for the years ended 31st December, 2019 and 2018 included the ordinary shares of the Company in issue during each year.

No diluted loss per share for the year ended 31st December, 2019 and 2018 was presented as there were no potential ordinary shares in issue during the year.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2018 and 31st December, 2018	34,355
Written off of impaired goodwill	(30,547)
At 31st December, 2019	3,808
IMPAIRMENT	
At 1st January, 2018 and 31st December, 2018	(34,355)
Eliminated on written off of impaired goodwill	30,547
At 31st December, 2019	(3,808)
CARRYING AMOUNT	
At 1st January, 2018, 31st December, 2018 and 2019	–

16. ASSETS CLASSIFIED AS HELD FOR SALE

On 30th December 2019, Fulwealth Metal Factory Limited ("Fulwealth"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "S&P Agreement") with a purchaser (the "Purchaser"), an independent third party of the Company pursuant to which Fulwealth conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the only issued share ("Sale Share") of Steel Wealth Metal Limited ("HK Steel Wealth"), a wholly owned subsidiary of Fulwealth, and the unsecured, non-interest bearing shareholder's loan ("Sale Loan") owed by HK Steel Wealth to Fulwealth as at the date of completion at a total consideration of HK$138,000,000.

HK Steel Wealth acts as an investment and properties holding company and wholly owns Dongguan Steel Wealth Metal Co., Ltd. (東莞富威鋼鐵分條有限公司) ("DGSW"), a wholly foreign owned enterprise established in Mainland China engaged in operating a decoiling centre under the segment of metal products. The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and accordingly, no impairment loss has been recognised.

The disposal of the Sale Share and the Sale Loan by Fulwealth to the Purchaser (the "Disposal") shall be effected on the basis that the consolidated assets of HK Steel Wealth shall comprise cash in the amount of not less than approximately RMB16,654,000 and the properties located at Dongguan City, Guangdong Province, Mainland China and that the consolidated liabilities of HK Steel Wealth shall comprise the Sale Loan, other than which HK Steel Wealth should have no consolidated net assets or liabilities.

The Company has obtained written approvals for the Disposal from Mr. Pang, the Chairman of the Company, and Golik Investments Ltd., a company wholly owned by Mr. Pang, holding 163,928,082 shares and 201,666,392 shares of the Company respectively, representing in aggregate approximately 63.65% of the issued share capital of the Company on 30th December, 2019.

On 16th October, 2019, the Purchaser paid Fulwealth a sum of HK$20,000,000 as earnest money (the "Earnest Money"). As required under the terms of the S&P Agreement, the Purchaser paid Fulwealth a further sum of HK$20,000,000 as deposit (the "Deposit") on 30th December, 2019. As at 31st December, 2019, the aggregate amount of HK$40,000,000 was included in "Deposits received" (note 28).

If the S&P Agreement is not completed in accordance with its terms because of the default of Fulwealth, Fulwealth shall refund the Deposit to the Purchaser. The Earnest Money (or any part thereof) and the Deposit (or any part thereof) received by Fulwealth are non-refundable under any other circumstances.

Upon the approval from the shareholders, the directors of the Company expect the Disposal is highly probable and to be completed within twelve months. The following assets of HK Steel Wealth and DGSW have been classified as assets held for sale and were presented separately in the consolidated statement of financial position as at 31st December, 2019 as follows:

	31.12.2019 **HK$'000**
Property, plant and equipment	**14,018**
Right-of-use assets	**1,290**
Bank balances and cash	**18,591**
	33,899

17. INVESTMENT PROPERTIES

The Group leased out its investment properties under an operating lease with fixed rental receivable monthly. The lease ran for a period of 2 years and early terminated during the year ended 31st December, 2019.

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the lease is denominated in the respective functional currency of the group entity. The lease contract does not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000
Fair value	
At 1st January, 2018	3,980
Increase in fair value recognised in profit or loss	150
At 31st December, 2018	4,130
Decrease in fair value recognised in profit or loss	(110)
At 31st December, 2019	4,020

Notes:

(a) The investment properties are located in Mainland China.

(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, 2019 and 2018 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. The directors of LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, are fellows of the Hong Kong Institute of Surveyors. 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 31.12.2019 HK$'000	Fair value at 31.12.2018 HK$'000	Valuation technique	Key unobservable inputs	Relationship of unobservable input to fair value	Sensitivity
Commercial properties in Guangzhou, Mainland China	Level 3	**4,020**	4,130	Sales comparison approach	Adjusted price per square meter: RMB24,287 to RMB27,620 (2018: RMB24,141 to RMB28,658)	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.

The fair value measurements of the investment properties are classified as Level 3. There were no transfers into or out of Level 3 during the year.

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18. 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, 2018	175,391	20,926	25,062	35,594	536,542	51,175	174,517	1,019,207
Exchange difference	(1,423)	(247)	(344)	(533)	(16,080)	(841)	(108)	(19,576)
Additions	241	2,698	1,034	2,783	8,518	27,688	1,863	44,825
Disposals	(3,201)	–	(178)	(2,903)	(12,840)	–	–	(19,122)
Written off of impaired assets	–	–	–	(12)	(131)	–	–	(143)
Reclassification	–	–	6	–	11,854	(9,859)	(2,001)	–
At 31st December, 2018	171,008	23,377	25,580	34,929	527,863	68,163	174,271	1,025,191
Adjustments upon application of HKFRS 16	–	–	–	(2,416)	–	–	–	(2,416)
At 1st January, 2019 (restated)	171,008	23,377	25,580	32,513	527,863	68,163	174,271	1,022,775
Exchange difference	(651)	(112)	(164)	(236)	(7,658)	(630)	(5)	(9,456)
Additions	–	30	900	1,258	711	23,025	281	26,205
Transfer from right-of-use assets (Note)	–	–	–	1,935	–	–	–	1,935
Disposals	–	(939)	(2,636)	(2,720)	(3,163)	–	–	(9,458)
Reclassified as assets held for sale	(26,109)	–	–	–	–	–	–	(26,109)
Written off of impaired assets	–	–	(15)	–	(10)	–	–	(25)
Reclassification	94,491	–	7	–	38,824	(44,293)	(89,029)	–
At 31st December, 2019	**238,739**	**22,356**	**23,672**	**32,750**	**556,567**	**46,265**	**85,518**	**1,005,867**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2018	128,756	15,447	20,796	26,890	320,197	–	3,916	516,002
Exchange difference	(1,067)	(247)	(268)	(425)	(9,557)	–	–	(11,564)
Provided for the year	2,711	1,463	1,574	3,024	29,200	–	–	37,972
Eliminated on disposals	(3,201)	–	(153)	(2,802)	(11,691)	–	–	(17,847)
Eliminated on written off of impaired assets	–	–	–	(12)	(131)	–	–	(143)
At 31st December, 2018	127,199	16,663	21,949	26,675	328,018	–	3,916	524,420
Adjustments upon application of HKFRS 16	–	–	–	(2,000)	–	–	–	(2,000)
At 1st January, 2019 (restated)	127,199	16,663	21,949	24,675	328,018	–	3,916	522,420
Exchange difference	(498)	(112)	(131)	(192)	(4,705)	–	–	(5,638)
Provided for the year	5,252	1,492	1,443	2,560	25,812	–	–	36,559
Transfer from right-of-use assets (Note)	–	–	–	1,935	–	–	–	1,935
Eliminated on disposals	–	(939)	(2,599)	(2,664)	(2,410)	–	–	(8,612)
Reclassified as assets held for sale	(12,091)	–	–	–	–	–	–	(12,091)
Eliminated on written off of impaired assets	–	–	(15)	–	(10)	–	–	(25)
At 31st December, 2019	**119,862**	**17,104**	**20,647**	**26,314**	**346,705**	**–**	**3,916**	**534,548**
CARRYING VALUES								
At 31st December, 2019	**118,877**	**5,252**	**3,025**	**6,436**	**209,862**	**46,265**	**81,602**	**471,319**
At 31st December, 2018	43,809	6,714	3,631	8,254	199,845	68,163	170,355	500,771

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

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rate 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%

Note: As at 31st December, 2018, the carrying values of motor vehicles of the Group include a carrying amount of HK$416,000 (net of the accumulated depreciation of HK$2,000,000) in respect of assets under finance leases. The carrying amount was recategorised to right-of-use assets at 1st January, 2019 upon initial application of HKFRS 16. During the year ended 31st December, 2019, certain motor vehicles under finance leases with original costs of HK$1,935,000 were fully paid and recategorised from right-of-use assets to property, plant and equipment. The assets were fully depreciated upon recategorisation to property, plant and equipment.

As at 31st December, 2019, the carrying values of plant and machinery and equipment of the Group include an amount of HK$3,878,000 (2018: HK$4,216,000) in respect of assets leased to third party under an operating lease. The lease runs for a period of 20 years starting from 2016, with fixed rental receivable quarterly. There is no extension option offered to the lessee.

The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the lease is denominated in the functional currency of the group entity. The lease contract does not contain residual value guarantee or lessee's option to purchase the property at the end of lease term.

The carrying value of leasehold land and buildings comprises:

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Situated in Hong Kong	**111,958**	21,680
Situated in Mainland China (excluding assets classified to assets held for sale)	**6,919**	22,129
	118,877	43,809

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.

19. PREPAID LEASE PAYMENTS

	31.12.2018 HK$'000
The Group's prepaid lease payments comprise:	
Land use rights in Mainland China	13,094
Analysed for reporting purposes as:	
Current asset	451
Non-current asset	12,643
	13,094

20. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Land and buildings HK$'000	Plant and machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1st January, 2019					
Carrying amount	13,094	230,898	78,346	416	322,754
As at 31st December, 2019					
Carrying amount	11,110	206,468	55,496	94	273,168
For the year ended 31st December, 2019					
Depreciation charge	447	36,820	25,440	322	63,029
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16					734
Total cash outflow for leases					69,972
Additions to right-of-use assets					19,556
Reclassification to assets held for sale					1,290

20. RIGHT-OF-USE ASSETS *(continued)*

For both years, the Group leases various offices, motor vehicles, warehouses, plant and machinery and equipment for its operations. Lease contracts are entered into the following ranges of fixed terms:

Leasehold lands	14 - 48 years
Land and buildings	2 - 26 years
Plant and machinery and equipment	3 - 20 years
Motor vehicles	5 years

Certain leases of motor vehicles were accounted for as finance leases during the year ended 31st December, 2018 and carried interest ranged from 3.67% to 5.20%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

As at 31st December, 2019, the Group is not committed to short-term leases. The short-term lease expense incurred during the year amounted to HK$734,000.

As at 31st December, 2019, the Group had no lease with variable lease payment. The lease agreements do not impose any extension or termination options which are exercisable only by the Group and not by the respective lessors.

As at 31st December, 2019, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31st December, 2019, the Group has no leases that are committed but not yet commenced.

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

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Cost of investments (unlisted)	**1,226**	1,226
Share of post-acquisition profits and other comprehensive income	**2,655**	2,769
	3,881	3,995
Amount due from a joint venture (Note)	**–**	1,153

As at 31st December, 2018, amount due from a joint venture that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$1,153,000.

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

Particulars of the joint venture as at 31st December, 2019 and 2018 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
			2019 **%**	2018 %	
Kunshan Rosathal Printing Ink Limited	Equity joint venture	Mainland China	**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.

Information of the joint venture that is not individually material

	2019 **HK$'000**	2018 HK$'000
The Group's share of loss and total comprehensive expense	**(114)**	(84)

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

	31.12.2019 HK$'000	31.12.2018 HK$'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)	**14,000**	19,250
– Current asset (Note b)	**5,250**	–
Less: impairment losses under ECL model	**(9,622)**	–
	9,628	19,250
Less: share of post-acquisition losses that are in excess of the cost of the investment	**(9,597)**	(9,628)
	31	9,622

The amount due from an associate after share of post-acquisition losses that are in excess of the cost of the investment of HK$31,000 (2018: HK$9,622,000) is considered as long-term interests that, in substance form part of the Group's net investments in the relevant associate.

Details of impairment assessment of amount due from an associate for the year ended 31st December, 2019 is set out in note 43(f).

Particulars of the associate as at 31st December, 2019 and 2018 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**
			31.12.2019 %	31.12.2018 %	
Hongkong United Reinforcement Engineering Limited	Incorporated	Hong Kong	**35**	35	Provision of a structural steel cut and bend facility on the premises for rebar cutting, bending and prefabrication services

22. 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 (2018: HK$14,000,000) is unsecured, carries interest at 2% below the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum and is repayable in 2025. The balance of HK$5,250,000 (2018: HK$5,250,000) is unsecured, interest-free and is repayable in 2020 (2018: 2021).

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.

	2019 **HK$'000**	2018 HK$'000
Revenue	**11,307**	10,872
Profit and total comprehensive income for the year	**88**	154

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Current assets	**4,653**	9,050
Non-current assets	**16,875**	22,341
Current liabilities	**(3,895)**	(3,899)
Non-current liabilities	**(45,053)**	(55,000)

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

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Net liabilities	**(27,420)**	(27,508)
Proportion of the Group's ownership interest in the associate	**35%**	35%
Share of net liabilities of the associate	**(9,597)**	(9,628)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	**9,597**	9,628
Carrying amount of the Group's interest in the associate	**–**	–

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23. EQUITY INSTRUMENT AT FVTOCI

The equity investment is listed in the Frankfurt Stock Exchange.

The fair value of the investment is determined by reference to the bid prices quoted in an active market. At 31st December, 2019, the fair value of the investment is HK$4,321,000 (2018: HK$3,292,000) and a fair value gain on this equity instrument of HK$1,029,000 (2018: fair value loss HK$881,000) has been recognised in other comprehensive income and accumulated in FVTOCI reserve.

As at 31st December, 2019, equity instrument at FVTOCI that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$4,321,000 (2018: HK$3,292,000).

24. INSURANCE POLICY ASSETS

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Insurance policy assets due after one year	**12,790**	12,295

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$60,245,000 (2018: HK$60,517,000). The Group paid 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$9,975,000 (2018: HK$10,005,000) 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. As at 31st December, 2019, 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.

Insurance policy assets that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$6,456,000 (2018: HK$6,315,000).

25. INVENTORIES

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Raw materials	**125,393**	120,611
Work in progress	**77,973**	56,673
Finished goods	**374,303**	439,158
Supplies	**1,509**	1,331
	579,178	617,773

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26. TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	31.12.2019 HK$'000	31.12.2018 HK$'000
Trade receivables	**608,939**	605,844
Less: Impairment losses under ECL model	**(41,824)**	(24,963)
	567,115	580,881
Bills receivables	**20,543**	13,909
Trade and bills receivables	**587,658**	594,790
Loan receivables (Notes)	**5,926**	6,678
Less: Impairment losses under ECL model	**(1,990)**	(1,990)
	3,936	4,688
Prepayments, deposits and other receivables	**73,393**	82,071
Less: Impairment losses under ECL model	**(11,835)**	(13,023)
	61,558	69,048
Total trade, bills, loan and other receivables	**653,152**	668,526
Analysed for reporting purpose as:		
Current	**644,361**	654,416
Non-current – Loan receivables, net (Notes)	**3,151**	3,936
Non-current – Rental and other deposits	**5,640**	10,174
	653,152	668,526

26. TRADE, BILLS, LOAN AND OTHER RECEIVABLES *(continued)*

Notes:

a) As at 31st December, 2019, the loan receivables with the carrying amount of HK$3,918,000, net of impairment losses under ECL model of Nil, (2018: carrying mount of HK$4,648,000, net of impairment losses under ECL model of Nil) are secured over motor vehicles and repayable by instalments within seven years from the first drawdown date. They bear interest at 2.75% (2018: 2.75%) per annum. The Group is not permitted to sell or repledge the motor vehicle in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loans receivables. The Group has not recognised impairment losses under ECL model for the loans receivables as a result of these collaterals.

b) As at 31st December, 2019, the loan receivable with the carrying amount of HK$18,000, net of impairment losses under ECL model of Nil, (2018: carrying mount of HK$40,000, net of impairment losses under ECL model of Nil) is unsecured and repayable by instalments within 18 months from the first drawdown date. It bears interest at 3.5% (2018: 3.5%) per annum.

c) As at 31st December, 2019 and 2018, the loan receivables with the carrying amount of Nil (net of impairment losses under ECL model of HK$1,950,000) are secured and repayable within one year. They bear interest at 5% per annum.

d) As at 31st December, 2019 and 2018, the loan receivables with the carrying amount of Nil (net of impairment losses under ECL model of HK$40,000) are unsecured and repayable within one year. They bear interest at 5% per annum.

e) During the year ended 31st December, 2019, no impairment losses under ECL model (2018: impairment losses under ECL model of HK$24,000) was recognised in the profit or loss.

Rental deposits paid were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.

As at 1st January, 2018, trade receivables amounted to HK$698,094,000.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days to its customers.

26. TRADE, BILLS, LOAN AND OTHER RECEIVABLES *(continued)*

Trade and bills receivables, net of impairment losses under ECL model, 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:

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
0 – 30 days	**301,049**	266,436
31 – 60 days	**174,233**	192,664
61 – 90 days	**70,226**	78,168
91 – 120 days	**23,853**	25,301
More than 120 days	**18,297**	32,221
	587,658	594,790

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$203,304,000 (2018: HK$244,587,000) which are past due at the reporting date for which the Group has not provided for impairment losses under ECL model, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. Out of the past due balances, HK$14,999,000 (2018: HK$19,510,000) has been past due 90 days or more and is not considered as in default because it's the industry's practice that payments are usually made later than due dates. 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.

Trade, bills, loan and other receivables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$8,238,000 (2018: HK$5,684,000).

Details of impairment assessment of trade, bills, loan and other receivables are set out in note 43(f).

27. BANK TIME DEPOSITS/BANK TIME DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates.

The bank time deposits with original maturity over three months will be matured in 2020 and carry interest at 5.23% per annum.

As at 31st December, 2019, bank time deposits, bank time deposits with original maturity over three months and bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$42,278,000 (2018: HK$31,122,000).

Details of impairment assessment of bank time deposits, bank time deposits with original maturity over three months and bank balances and cash are set out in note 43(f).

28. TRADE AND OTHER PAYABLES

	31.12.2019 HK$'000	31.12.2018 HK$'000
Trade payables	**159,912**	67,979
Accruals	**64,716**	64,943
Deposits received	**49,957**	6,184
Other payables	**22,921**	20,700
	297,506	159,806

The credit period on purchases of goods ranges from 30 to 90 days.

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

	31.12.2019 HK$'000	31.12.2018 HK$'000
0 – 30 days	**119,186**	40,506
31 – 60 days	**24,823**	18,414
61 – 90 days	**8,856**	4,179
91 – 120 days	**4,907**	2,143
More than 120 days	**2,140**	2,737
	159,912	67,979

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$74,363,000 (2018: HK$6,292,000).

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29. CONTRACT LIABILITIES

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Metal products	**6,700**	5,988
Building construction materials	**680**	1,049
	7,380	7,037

As at 1st January, 2018, contract liabilities amounted to HK$10,228,000.

All the contract liability at the beginning of the year was recognised as revenue in current year upon the satisfaction of performance obligation, i.e. the delivery of goods to the customer.

When the Group receives advance payment from customer, this will give rise to contract liabilities at the start of a contract, until the revenue recognised upon the satisfaction of the performance obligation.

30. LEASE LIABILITIES

	31.12.2019 **HK$'000**
Lease liabilities payable:	
Within one year	**49,207**
Within a period of more than one year but not more than two years	**34,159**
Within a period of more than two years but not more than five years	**30,678**
Within a period of more than five years	**153,865**
	267,909
Less: Amount due for settlement with 12 months shown under current liabilities	**(49,207)**
Amount due for settlement after 12 months shown under non-current liabilities	**218,702**

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities amounted to HK$4,573,000 as at 31st December, 2019.

31. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

32. BANK BORROWINGS

	31.12.2019 HK$'000	31.12.2018 HK$'000
Bank loans	**333,896**	277,497
Trust receipt loans	**457,565**	746,174
	791,461	1,023,671
Analysed as:		
Secured (note 37)	**22,309**	20,955
Unsecured	**769,152**	1,002,716
	791,461	1,023,671

	31.12.2019 HK$'000	31.12.2018 HK$'000
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	**53,584**	44,465
Carrying amounts of bank borrowings containing a repayable on demand clause (shown under current liabilities) but repayable		
Within one year	**666,524**	891,419
More than one year, but not exceeding two years	**44,491**	22,668
More than two years, but not exceeding five years	**26,862**	65,119
	737,877	979,206
	791,461	1,023,671
Less: amounts due within one year shown under current liabilities	**(791,461)**	(1,023,671)
Amounts shown under non-current liabilities	**–**	–

The effective borrowing rates are ranging from 2.94% to 5.65% (2018: 2.36% to 6.63%) per annum.

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32. BANK BORROWINGS *(continued)*

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

Denominated in	Interest rate per annum	31.12.2019 HK$'000	31.12.2018 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 0.70% to 1.95% (2018: HIBOR plus 0.70% to 4.17%)	**584,216**	862,473
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 0.70% (2018: LIBOR plus 2.60% to 2.73%)	**39,886**	1,093
RMB	10.00% to 30.00% mark up from People's Bank of China ("PBOC") lending rate	**–**	47,935
	Fixed rate ranging from 4.35% to 5.65% (2018: 4.35% to 4.87%)	**167,359**	111,869
Euro (Note)	Standard Bills Rate quoted by the bank minus 0.75% per annum	**–**	301
		791,461	1,023,671

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

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 31.12.2018 HK$'000	Present value of minimum lease payments 31.12.2018 HK$'000
Within one year	377	367
More than one year, but not exceeding two years	62	60
	439	
Less: future finance charges	(12)	
Present value of lease obligations	427	427
Less: amounts due within one year shown under current liabilities		(367)
Amounts due after one year shown under non-current liabilities		60

As at 31st December, 2018, certain of the Group's motor vehicles were leased under finance leases. The lease terms were ranging from 1 to 5 years. The obligations under finance leases of HK$427,000 carried fixed interest rates from 2.00% to 2.75% per annum. All leases were 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 were secured by the lessor's charge over the leased assets.

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2018, 31st December, 2018 and 2019	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2018 and 31st December, 2018	561,922,500	56,192
Shares issued in lieu of dividend under scrip dividend scheme	12,455,628	1,246
At 31st December, 2019	574,378,128	57,438

35. 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 ("Participant(s)"), 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.

35. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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.

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 Share 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.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Withholding tax on retained profits to be distributed	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2018	(23,324)	7,133	(9,740)	556	(25,375)
(Charge) credit to profit or loss	(1,447)	4,667	(290)	–	2,930
At 31st December, 2018	(24,771)	11,800	(10,030)	556	(22,445)
Credit (charge) to profit or loss	4,683	632	(150)	–	5,165
At 31st December, 2019	**(20,088)**	**12,432**	**(10,180)**	**556**	**(17,280)**

At the end of the reporting period, the Group has tax losses of HK$718,173,000 (2018: HK$667,526,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$75,345,000 (2018: HK$71,516,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$642,828,000 (2018: HK$596,010,000) due to the unpredictability of future profit streams.

All unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$31,116,000 (2018: HK$32,153,000) in respect of impairment losses on property, plant and equipment and impairment losses under ECL model. A deferred tax asset has been recognised in respect of HK$3,370,000 (2018: HK$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$27,746,000 (2018: HK$28,783,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. 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:

	31.12.2019	31.12.2018
	HK$'000	HK$'000
Construction in progress	**81,084**	81,084

For the year ended 31st December, 2019

38. OPERATING LEASE

The Group as lessee

As at 31st December, 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2018 HK$'000
Land and buildings:	
Within one year	36,991
In the second to fifth year inclusive	99,547
Over five years	164,334
	300,872
Plant and machinery and equipment:	
Within one year	14,015
In the second to fifth year inclusive	22,458
Over five years	55,183
	91,656
Processing facilities (including land and buildings and plant machinery and equipment):	
Within one year	11,307
In the second to fifth year inclusive	9,734
	21,041
Total	413,569

For the year ended 31st December, 2018, the minimum lease payments for operating leases are as follows:

	2018 HK$'000
Minimum lease payments for operating leases in respect of Land and buildings	46,520
Plant and machinery and equipment	15,609
Processing facilities (including land and buildings and plant and machinery)	10,872
	73,001

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.

38. OPERATING LEASE *(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:

	31.12.2019 HK$'000
Plant and machinery and equipment:	
Within one year	**319**
In the second to fifth year inclusive	**1,276**
After five years	**3,668**
	5,263

	31.12.2018 HK$'000
Sub-licensed land and buildings and investment properties:	
Within one year	159
Plant and machinery and equipment:	
Within one year	326
In the second to fifth year inclusive	1,304
Over five years	4,076
	5,706
Total	5,865

As at 31st December, 2018, the sub-licensed land and buildings, investment properties and plant, machinery and equipment held have committed tenants for terms ranging from two to twenty years.

39. CAPITAL COMMITMENTS

	31.12.2019 HK$'000	31.12.2018 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**16,287**	1,622

40. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes 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 Mainland China 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$12,829,000 (2018: HK$14,141,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$38,000 (2018: HK$61,000).

41. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions with a related party:

Relationship	**Nature of transactions**	**2019** **HK$'000**	2018 HK$'000
An associate	Interest expenses on lease liabilities	**516**	–
	Operating lease expenses	**–**	10,827
	Interest income	**435**	424

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.

42. 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 32, 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.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2019 **HK$'000**	31.12.2018 HK$'000
Financial assets		
Financial assets at amortised cost	**909,877**	978,189
Equity instrument at FVTOCI	**4,321**	3,292
Financial liabilities		
At amortised cost	**1,023,255**	1,161,864
Lease liabilities	**267,909**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills, loan and other receivables, bank time deposits, bank time deposits with original maturity over three months, bank balances and cash, amount due from a joint venture/an associate, trade and other payables, bank borrowings, lease liabilities 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 foreign 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.

43. 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 bank 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	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**5,098**	8,532	**–**	–
United States dollars	**37,931**	23,523	**113,347**	6,257
RMB	**7,040**	5,515	**39**	40
Others	**4,768**	3,681	**863**	1,389

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	
	31.12.2019	31.12.2018	**31.12.2019**	31.12.2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,465**	2,442	**18,686**	19,247
United States dollars	**11,953**	39,905	**11,953**	32,042
RMB	**14,253**	21,202	**3,303**	2,571

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 RMB against Hong Kong dollars and United States dollars; and Hong Kong dollars against RMB.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2018: 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 currencies denominated monetary items and adjusts their translation at the year end for a 5% (2018: 5%) change in foreign currency rates. A negative number indicates a decrease in profit for the year (2018: increase in loss for the year) where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2018: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit (loss) for the year.

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

Foreign currency sensitivity *(continued)*

	Profit (loss) for the year	
	2019	2018
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**417**	310
United States dollars	**198**	1,038
RMB	**(749)**	(1,006)
Others	**(163)**	(97)

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.

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (note 26), bank time deposits, bank time deposits with original maturity over three months (note 27), lease liabilities (note 30), and bank borrowings (note 32). 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 27), amount due from an associate (note 22) and bank borrowings (note 32).

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 bank borrowings denominated in Hong Kong dollars, United States dollars and RMB.

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 (2018: 50) basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2018: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2019 would have decreased/increased by HK$2,547,000 (2018: the loss for the year would have been increased/decreased by HK$3,728,000).

43. FINANCIAL INSTRUMENTS *(continued)*

(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 equity instruments quoted in the Frankfurt Stock Exchange. 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 equity investment is not significant. Accordingly, no sensitivity analysis is presented.

(f) Credit risk and impairment assessment

The Group's financial assets include trade, bills, loan and other receivables, amount due from a joint venture, amount due from an associate, bank time deposits, bank time deposits with original maturity over three months and bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

As at 31st December, 2019 and 2018, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivables is mitigated because they are secured over motor vehicles and settlement of certain trade receivables are backed by bills issued by financial institutions.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The credit review team of the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for trade debtors with significant balances that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories and current past due exposure for customers taking into consideration forward-looking information that is reasonable and supportable available without undue cost or effort. Impairment of HK$17,115,000 (2018: reversal of impairment of HK$3,242,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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

Loan receivables

The directors of the Company estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collaterals pledged to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals. No impairment (2018: impairment of HK$24,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

The Group has no significant concentration of credit risk regarding loan receivables, with exposure averagely spread over several counterparties.

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

Other receivables, rental deposits and amount due from a joint venture

The credit risks on other receivables, rental deposits and amount due from a joint venture are limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date. Therefore, the credit rating is considered to be low credit risk and the impairment loss under ECL model is measured on 12m ECL basis. Impairment of HK$75,000 (2018: HK$69,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

The Group has no significant concentration of credit risk regarding other receivables and rental deposits with exposure spread over a number of counterparties.

The Group has significant concentration of credit risk regarding amount due from a joint venture.

Amount due from an associate

The directors review the recoverable amount at the end of reporting period to ensure that adequate impairment losses under ECL model are made for irrecoverable amounts. As at 1st January, 2019 and 31st December, 2019, the Group assessed the ECL for amount due from an associate and the impairment recognised amounted HK$9,622,000 (2018: Nil).

The Group has significant concentration of credit risk regarding amount due from an associate.

Bank balances, bank time deposits, bank time deposits with original maturity over three months and bills receivables

The credit risks on bank balances, bank time deposits, bank time deposits with original maturity over three months and bills receivables are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Therefore, the credit rating is considered to be low credit risk and the impairment loss under ECL model is measured on 12m ECL basis. For the year ended 31st December, 2019 and 2018, the Group assessed the ECL for bank balances, bank time deposits, bank time deposits with original maturity over three months and bills receivables were insignificant and thus no impairment loss under ECL model was recognised.

The Group has concentration of credit risk as 36% (2018: 21%) and 73% (2018: 55%) of the total bank balances, bank time deposits and bank time deposits with original maturity over three months was arising from Group's largest bank and the top three banks respectively.

The Group has no significant concentration of credit risk regarding bills receivables, with exposure spread over a number of banks and counterparties.

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

For the year ended 31st December, 2019

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2019 Gross carrying amount		2018 Gross carrying amount	
					HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost								
Trade receivables	26	N/A	(Note 2)	Lifetime ECL – provision matrix	**570,066**		412,712	
			Low risk	Lifetime ECL – not credit-impaired	**–**		181,910	
			Loss	Lifetime ECL – credit-impaired	**38,873**	**608,939**	11,222	605,844
Amount due from a joint venture	21	N/A	Low risk	12m ECL	**–**	**–**	1,153	1,153
Amount due from an associate	22	N/A	Doubtful	Lifetime ECL – not credit-impaired	**19,250**	**19,250**	19,250	19,250
Loan receivables	26	N/A	Low risk	12m ECL	**3,936**		4,688	
			Loss	Lifetime ECL – credit-impaired	**1,990**	**5,926**	1,990	6,678
Other receivables and rental deposits	26	N/A	Low risk	12m ECL	**11,348**		2,087	
			Loss	Lifetime ECL – credit-impaired	**11,835**	**23,183**	13,023	15,110
Bank balances, bank time deposits and bank time deposits with original maturity over three months	27	(Note 1)	N/A	12m ECL	**299,011**	**299,011**	362,090	362,090
Bills receivables	26	(Note 1)	N/A	12m ECL	**20,543**	**20,543**	13,909	13,909

Notes:

1. The external credit ratings range from Aa1 to Baa2 quoted from the rating scale of an international credit rating agency.

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the impairment loss at lifetime ECL. Except for trade receivables that are credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by credit risk characteristics by reference to repayment histories and current past due exposure for customers.

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	2019		2018	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Internal credit rating				
Low risk	**0.52%**	**570,066**	0.61%	374,614
Watch list	**N/A**	**–**	4.00%	35,206
Doubtful	**N/A**	**–**	30.44%	2,892
		570,066		412,712

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31st December, 2019, impairment losses under ECL model for trade receivables included HK$2,951,000 (2018: HK$13,741,000) based on the provision matrix and HK$38,873,000 (2018: HK$11,222,000) for credit-impaired debtors respectively.

For the year ended 31st December, 2019

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

Trade receivables

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1st January, 2018	3,986	27,577	31,563
Changes due to financial instruments recognised as at 1st January, 2018:			
– Transfer to credit-impaired	(22)	22	–
– Impairment losses reversed	(1,416)	(12,831)	(14,247)
– Write-offs	–	(2,460)	(2,460)
Impairment losses recognised	11,005	–	11,005
Exchange difference	188	(1,086)	(898)
As at 31st December, 2018	13,741	11,222	24,963
Changes due to financial instruments recognised as at 1st January, 2019:			
– Transfer to credit-impaired	(7,808)	7,808	–
– Impairment losses reversed	(3,078)	(141)	(3,219)
Impairment losses recognised	138	20,196	20,334
Exchange difference	(42)	(212)	(254)
As at 31st December, 2019	2,951	38,873	41,824

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Trade receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

Trade receivables *(continued)*

Changes in the impairment loss under ECL model for trade receivables are mainly due to:

	31.12.2019 Decrease in lifetime ECL		31.12.2018 Decrease in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**	Not credit-impaired HK$'000	Credit-impaired HK$'000
Settlement in full of trade debtors with a gross carrying amount of HK$141,000 (2018: HK$12,831,000)	**–**	**(141)**	–	(12,831)

As at 31st December, 2019, two trade debtors with gross carrying amount of HK$27,679,000, which are fully impaired under ECL model, are assessed as credit-impaired (2018: gross carrying amount of HK$24,834,000 with impairment losses under ECL model of HK$7,560,000 assessed as not credit-impaired).

Amount due from an associate

The following table shows reconciliation of impairment loss under ECL model that has been recognised for amount due from an associate.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1st January, 2018 and 31st December, 2018	–
Adjustment upon application of Amendments to HKAS 28	9,622
As at 1st January, 2019 and 31st December, 2019	**9,622**

43. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment *(continued)*

Other receivables

The following table shows reconciliation of impairment losses under ECL model that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1st January, 2018	13,263
Impairment losses recognised	69
Exchange difference	(309)
As at 31st December, 2018	13,023
Impairment losses recognised	75
Write-offs	(1,135)
Exchange difference	(128)
As at 31st December, 2019	11,835

Loan receivables

The following table shows reconciliation of impairment losses under ECL model that has been recognised for loan receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 1st January, 2018	1,966
Impairment losses recognised	24
As at 31st December, 2018 and 31st December, 2019	1,990

(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.

43. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

At the end of the reporting period, the Group has available unutilised short and long-term banking facilities of HK$1,174,119,000 and HK$14,104,000 (2018: HK$808,163,000 and HK$84,533,000) 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.

	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	>5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2019 HK$'000
2019								
Non-derivative instruments								
Trade and other payables	–	228,594	–	–	–	–	228,594	228,594
Bank borrowings								
– Fixed interest rate	4.70	128,789	39,456	–	–	–	168,245	167,359
– Variable interest rate	3.82	624,102	–	–	–	–	624,102	624,102
Amounts due to non-controlling shareholders	–	3,200	–	–	–	–	3,200	3,200
Lease liabilities	4.90	17,752	43,104	44,308	64,025	191,465	360,654	267,909
		1,002,437	82,560	44,308	64,025	191,465	1,384,795	1,291,164

	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$'000	Carrying amount at 31.12.2018 HK$'000
2018							
Non-derivative instruments							
Trade and other payables	–	134,993	–	–	–	134,993	134,993
Bank borrowings							
– Fixed interest rate	4.70	54,435	58,964	–	–	113,399	111,869
– Variable interest rate	3.48	899,532	12,622	–	–	912,154	911,802
Amounts due to non-controlling shareholders	–	3,200	–	–	–	3,200	3,200
Obligations under finance leases							
– Fixed interest rate	3.85	128	249	62	–	439	427
		1,092,288	71,835	62	–	1,164,185	1,162,291

43. 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, 2019, the aggregate carrying amounts of these bank borrowings amounted to HK$737,877,000 (2018: HK$979,206,000). 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$758,332,000 (2018: HK$991,651,000).

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	0 -3 months	**4 – 12 months**	**1 – 2 years**	**>2 – <5 years**	**Total undiscounted cash outflows**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31st December, 2019	**553,341**	**130,724**	**47,049**	**27,218**	**758,332**
31st December, 2018	806,469	91,759	25,730	67,693	991,651

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 that are measured at fair value on a recurring basis

Some of the Group's financial assets 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 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).

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

Financial assets/financial liabilities	Fair value as at 31.12.2019	Fair value as at 31.12.2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Equity instrument at FVTOCI	**Asset – HK$4,321,000**	Asset – HK$3,292,000	Level 1	Quoted bid prices from a trading platform market	N/A

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

(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.

44. 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$'000	Amounts due to non-controlling shareholders HK$'000	Lease liabilities/ obligations under finance leases HK$'000	Dividend payables HK$'000	Interest payables (included in other payables) HK$'000	Total HK$'000
At 1st January, 2018	847,939	3,200	996	–	779	852,914
Financing cash flows	183,199	(2,757)	(599)	(22,477)	(26,593)	130,773
Dividend declared	–	–	–	22,477	–	22,477
Dividend declared to non-controlling shareholders of subsidiaries	–	2,757	–	–	–	2,757
Exchange difference	(7,467)	–	–	–	–	(7,467)
Interest expenses	–	–	30	–	26,634	26,664
At 31st December, 2018	1,023,671	3,200	427	–	820	1,028,118
Adjustment upon application of HKFRS 16	–	–	308,376	–	–	308,376
At 1st January, 2019 (restated)	**1,023,671**	**3,200**	**308,803**	**–**	**820**	**1,336,494**
Financing cash flows	**(228,713)**	**(2,688)**	**(69,248)**	**(3,263)**	**(28,908)**	**(332,820)**
Cash dividend declared	**–**	**–**	**–**	**3,141**	**–**	**3,141**
Dividend declared to non-controlling shareholders of subsidiaries	**–**	**2,688**	**–**	**–**	**–**	**2,688**
New lease entered/lease modified	**–**	**–**	**19,376**	**–**	**–**	**19,376**
Expenses paid under scrip dividend scheme	**–**	**–**	**–**	**122**	**–**	**122**
Exchange difference	**(3,497)**	**–**	**(4,416)**	**–**	**–**	**(7,913)**
Interest expenses	**–**	**–**	**13,394**	**–**	**28,810**	**42,204**
At 31st December, 2019	**791,461**	**3,200**	**267,909**	**–**	**722**	**1,063,292**

45. 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		Principal activities
				31.12.2019	31.12.2018	
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	Mainland China	HK$18,000,000 Registered capital	**100%**	100%	Operating a decoiling centre
Fulwealth Metal Factory Limited*	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**100%**	100%	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
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 reinforced bar processing

45. 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		Principal activities
				31.12.2019	31.12.2018	
Golik Precast Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares	**100%**	100%	Sales of concrete pipes and related products
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	Mainland China	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	Mainland China	RMB60,000,000 Registered capital	**70.5%**	70.5%	Investment holding and 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	Mainland China	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	Mainland China	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.

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

General information of principal subsidiaries *(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	
		31.12.2019	31.12.2018
Investment holding	The British Virgin Islands	**5**	5
Investment holding	Hong Kong	**4**	4
Inactive	Hong Kong	**3**	3
Inactive	Mainland China	**4**	3
Others	Hong Kong	**2**	2
Others	Mainland China	**1**	1
		19	18

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

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

	2019	2018
	HK$'000	HK$'000
Profit allocated to non-controlling interests of		
TJ Goldsun Group	**16,073**	5,275
Individually immaterial subsidiaries	**(1,389)**	(514)
	14,684	4,761

	31.12.2019	31.12.2018
	HK$'000	HK$'000
Accumulated non-controlling interests of		
TJ Goldsun Group	**82,270**	70,560
Individually immaterial subsidiaries	**(21,118)**	(19,729)
	61,152	50,831

45. 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 is set out below. The summarised financial information below represents the amounts before intra-group eliminations.

TJ Goldsun Group

	31.12.2019 HK$'000	31.12.2018 HK$'000
Current assets	**353,539**	307,668
Non-current assets	**337,120**	145,171
Current liabilities	**(235,665)**	(212,108)
Non-current liabilities	**(174,568)**	–
Equity attributable to owners of the TJ Goldsun Group	**198,156**	170,171
Non-controlling interests	**82,270**	70,560

	2019 HK$'000	2018 HK$'000
Revenue	**701,505**	578,985
Expenses	**(647,020)**	(561,100)
Profit attributable to owners of TJ Goldsun Group	**38,412**	12,610
Profit attributable to the non-controlling interests	**16,073**	5,275
Profit for the year	**54,485**	17,885
Other comprehensive expense to owners of TJ Goldsun Group	**(4,003)**	(8,037)
Other comprehensive expense to the non-controlling interests	**(1,675)**	(3,361)
Other comprehensive expense for the year	**(5,678)**	(11,398)
Total comprehensive income for the year attributable to owners of TJ Goldsun Group	**34,409**	4,573
Total comprehensive income for the year attributable to the non-controlling interests	**14,398**	1,914
Total comprehensive income for the year	**48,807**	6,487
Dividend paid to non-controlling interests for the year	**(2,688)**	(2,757)
Net cash inflow from operating activities	**75,863**	45,376
Net cash outflow from investing activities	**(29,349)**	(19,137)
Net cash outflow from financing activities	**(28,522)**	(10,299)
Net cash inflow for the year	**17,992**	15,940

For the year ended 31st December, 2019

46. STATEMENT OF FINANCIAL POSITION, CAPITAL AND RESERVES OF THE COMPANY

	31.12.2019 HK$'000	31.12.2018 HK$'000
Non-current Assets		
Property, plant and equipment	**965**	1,611
Right-of-use assets (Note)	**12,109**	–
Investments in subsidiaries	**489,486**	489,486
Amounts due from subsidiaries	**40,233**	41,484
Equity instrument at FVTOCI (note 23)	**4,321**	3,292
Insurance policy assets	**9,485**	9,056
Rental deposits	**1,280**	1,577
Deposits paid for acquisition of property, plant and equipment	**516**	516
	558,395	547,022
Current Assets		
Deposits, prepayment and other receivables	**1,018**	523
Amounts due from subsidiaries	**158,060**	172,877
Bank balances and cash	**2,263**	1,960
	161,341	175,360
Current Liabilities		
Accruals and other payables	**3,707**	5,500
Amounts due to subsidiaries	**135,273**	154,640
Lease liabilities (Note)	**5,860**	–
Financial guarantee contracts liabilities	**7,438**	12,449
	152,278	172,589
Net Current Assets	**9,063**	2,771
	567,458	549,793
Capital and Reserves		
Share capital	**57,438**	56,192
Reserves	**503,636**	493,601
Total Equity	**561,074**	549,793
Non-current liability		
Lease liabilities (Note)	**6,384**	–
	567,458	549,793

Note: The Company has applied HKFRS 16 since 1st January, 2019 in accordance with transitional provision stated in note 2. Lease liabilities amounted to HK$19,116,000 were recognised on initial application of HKFRS 16, which was recognised as right-of-use assets for own use.

For the year ended 31st December, 2019

46. STATEMENT OF FINANCIAL POSITION, CAPITAL AND RESERVES OF THE COMPANY *(continued)*

MOVEMENT OF CAPITAL AND RESERVES

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2018	56,192	316,466	65,891	4,173	69,148	511,870
Profit for the year	–	–	–	–	61,281	61,281
Other comprehensive expense for the year						
Fair value loss on an equity instrument at FVTOCI	–	–	–	(881)	–	(881)
Total comprehensive (expense) income for the year	–	–	–	(881)	61,281	60,400
Dividend paid	–	–	–	–	(22,477)	(22,477)
At 31st December, 2018	56,192	316,466	65,891	3,292	107,952	549,793
Profit for the year	–	–	–	–	13,515	13,515
Other comprehensive income for the year						
Fair value gain on an equity instrument at FVTOCI	–	–	–	1,029	–	1,029
Total comprehensive income for the year	–	–	–	1,029	13,515	14,544
Cash dividend paid	–	–	–	–	(3,141)	(3,141)
Shares issued in lieu of dividend under scrip dividend scheme	1,246	6,851	–	–	(8,097)	–
Expenses paid under scrip dividend scheme	–	(122)	–	–	–	(122)
At 31st December, 2019	57,438	323,195	65,891	4,321	110,229	561,074

47. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the Coronavirus Disease 2019, ongoing preventions and control measures have been carried out throughout different parts of the world, the epidemic impacts indeed normal business activities as well as the overall global economy. As a result, the Group's operation and revenue was affected to a certain extent in early 2020. Dependent on the outbreak duration and the prevention and control measures, the Group's operating results in 2020 may be affected. The Group will closely monitor the situation and assess its impact on the Group's financial position and operating results.