GOLIK
HOLDINGS LIMITED

2020 ANNUAL REPORT

Incorporated in Bermuda
with limited liability

Stock Code: 1118

TOWARDS 邁向 45 YEARS 周年

ANNUAL REPORT 2020

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 (resignation effective 27th March, 2021)

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 (resignation effective 27th March, 2021)

REMUNERATION COMMITTEE
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong (resignation effective 27th March, 2021)

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
Registered Public Interest Entity Auditors

LEGAL ADVISORS
Lau, Horton & Wise LLP
W. K. To & Co.

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
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

INVESTOR RELATION
ir@golik.com

FINANCIAL SUMMARY

RESULTS

For the year ended 31st December,

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue	2,160,454	2,742,207	3,087,200	2,803,735	**2,991,068**
Profit (loss) before taxation	110,681	69,168	(78,195)	14,396	**141,304**
Income taxes	(25,528)	(20,279)	(1,826)	(5,945)	**(23,659)**
Profit (loss) for the year	85,153	48,889	(80,021)	8,451	**117,645**
Profit (loss) for the year attributable to:					
Shareholders of the Company	72,670	42,432	(84,782)	(6,233)	**93,545**
Non-controlling interests	12,483	6,457	4,761	14,684	**24,100**
	85,153	48,889	(80,021)	8,451	**117,645**

ASSETS AND LIABILITIES

At 31st December,

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	1,910,482	2,367,938	2,206,830	2,358,997	**2,446,006**
Total liabilities	(852,662)	(1,250,625)	(1,221,081)	(1,389,410)	**(1,340,574)**
Net assets	1,057,820	1,117,313	985,749	969,587	**1,105,432**
Equity attributable to shareholders of the Company	1,023,516	1,065,125	934,918	908,435	**1,016,887**
Non-controlling interests	34,304	52,188	50,831	61,152	**88,545**
Total equity	1,057,820	1,117,313	985,749	969,587	**1,105,432**

BUSINESS PROFILE

METAL PRODUCTS

High-performance Wire Rope

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

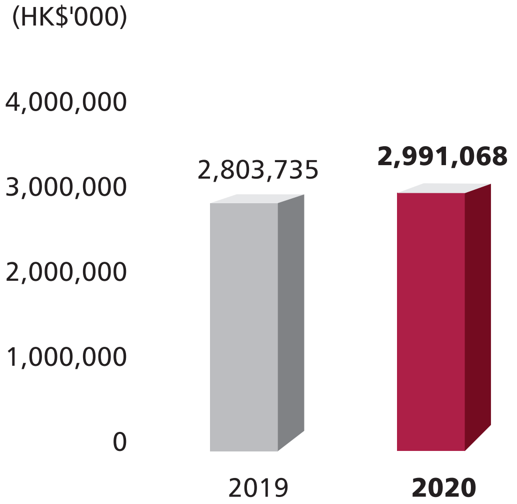
Steel Distribution

Supply of Ready Mixed Concrete

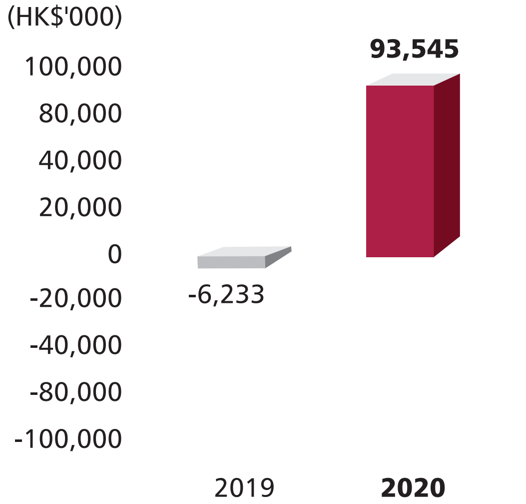
Automated Cut-and-bend Rebars Processing Plant in Tai Po, Hong Kong

FINANCIAL HIGHLIGHTS

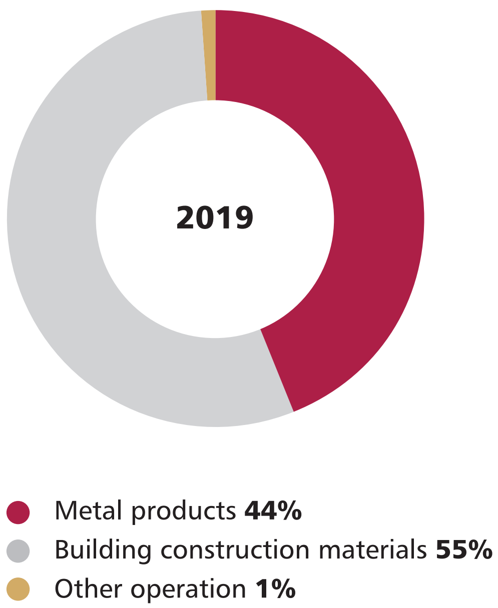
Revenue for the years ended 31st December, 2019 and 2020

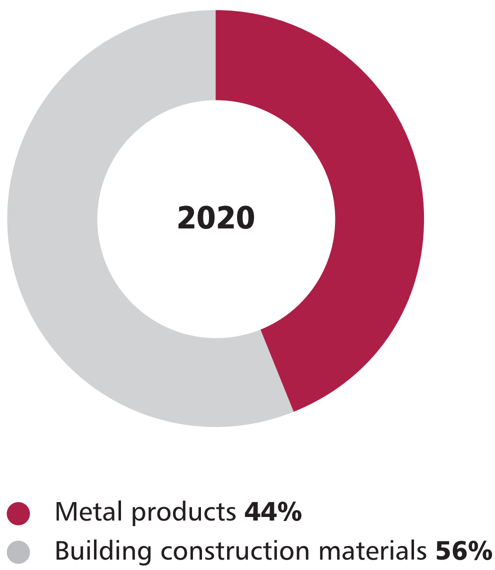


Profit (Loss) for the year attributable to shareholders of the Company for the years ended 31st December, 2019 and 2020



Revenue by operating segments for the years ended 31st December, 2019 and 2020





CHAIRMAN'S STATEMENT

With your continuing support, the Group endeavours to deliver good results in the coming year and prepare for the 45th anniversary.

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, 2020, the Group's total revenue was HK$2,991,068,000 representing an increase of approximately 7% compared to last year.

The increase in income was mainly attributable to a more average growth in the two major core businesses.

After the deduction of profit attributable to non-controlling interests, profit attributable to the Company amounted to HK$93,545,000, which is a further remarkable improvement compared to last year, and the performance is in line with our expectation.

The year 2020 was full of challenges. The novel coronavirus (COVID-19) pandemic severely impacted global economic activities and the Group's businesses were not immune to the impact of the pandemic. The pandemic has affected our businesses in Mainland China and Hong Kong to a certain degree. With the Group's solid foundation and its market position, as well as the unremitting efforts of our team, most of our businesses were able to recover as planned for the year, and our performance was satisfactory.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW *(continued)*

Metal Products

The business is currently comprising of steel coil processing, steel wires, and steel wire rope products. Revenue for the year was HK$1,327,239,000, an increase of approximately 8% compared to last year. Profit before interest and taxation was HK$139,440,000, an increase of approximately 52% compared to last year.

Benefited from Mainland China successfully keep the COVID-19 pandemic under control, which led to various economic activities significantly stabilized in a short period of time, the Group's steel wire and steel wire rope business in Mainland China, including Tianjin, Heshan and Jiangmen, Guangdong Province, performed well. Total production volume of steel wire and steel wire rope in the three cities reached over 110,000 tonnes for the year, which hits record high.

The Group focused on manufacturing medium to high-end steel wire rope products, which have been developed to replace imported products. After years of development, Tianjin's high-performance lifting wire rope products have won extensive recognition from the market. Other than the elevator market, the steel wire rope products have successfully tapped into the high-end steel wire rope market in the mining, port and heavy machinery and equipment manufacturing industries. The Group will continue to invest in the research and development as well as quality management of high-end products, and endeavours to become a successful company in the production of high-end steel wire ropes in Mainland China through its dedicating efforts.

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$1,674,282,000, an increase of 7% compared to the corresponding period of last year. Profit before interest and taxation was HK$45,862,000, representing a significant growth as compared to last year.

The poor performance of the building construction materials business in Hong Kong in the first half of the year was due to insufficient public works projects and the impact of the novel coronavirus (COVID-19) pandemic. However, in the second half of the year, especially the fourth quarter, the Group saw a marked improvement in the Hong Kong construction industry as major infrastructure projects such as expansion of the airport and Kai Tak Development Area commenced full-scale construction gradually. The Group's building construction materials business also began to achieve better results, leading to a significant improvement in the annual performance of the Group's building construction materials business for the year as compared to last year, which was encouraging.

Following the resignation of most of the members of the Legislative Council in the opposition party, filibuster in the Legislative Council over the funding of public works projects in the past few years is expected to end. In the latest Budget, the Financial Secretary of Hong Kong stated that the government will spend no less than HK$100 billion on public works projects in the next few years. Total annual expenditure of Hong Kong construction industry could reach HK$300 billion. The prospect of Hong Kong construction industry is expected to be promising. Construction steel products and ready mixed concrete in the Group's businesses are essential building construction materials for the construction industry. The Group is optimistic towards the prospect of its building construction materials business in the coming years.

CHAIRMAN'S STATEMENT

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2020, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to HK$403,092,000 (31st December, 2019: HK$304,672,000). As at 31st December, 2020, current ratio (current assets to current liabilities) for the Group was 1.49:1 (31st December, 2019: 1.36:1).

As at 31st December, 2020, the total borrowings of the Group amounted to HK$691,766,000 (31st December, 2019: HK$791,461,000).

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, 2020 was 574,378,128 (31st December, 2019: 574,378,128).

As at 31st December, 2020, the equity attributable to the shareholders of the Company amounted to HK$1,016,887,000 (31st December, 2019: HK$908,435,000).

As at 31st December, 2020, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.26:1 (31st December, 2019: 0.50:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2020, the total number of staff of the Group was 1,629. 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

With the invention of vaccines, the global COVID-19 pandemic is expected to gradually ease. Coupled with countries stepping up their efforts to stimulate their economies through major fiscal stimulus measures in the post-pandemic period, the global economy is expected to gradually recover. The recent upturn in economic activities resulted in a significant increase in the prices of upstream commodities such as steel, plastic and etc. It is expected that most of the Group's businesses will experience a pressure from the increase in prices of raw materials for a period of time. The significant fluctuations of the prices of raw materials will be the biggest challenge for the Group's businesses in the coming year.

Despite various uncertainties and challenges ahead in the future, with the Group's solid business foundation and market position, and by virtue of the unremitting efforts from our team, the Group is confidence and dedicated to undergo various challenges and achieve better returns for shareholders.

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. Next year, we will celebrate the 45th anniversary of the Group. With your continuing support, the Group endeavours to deliver good results in the coming year and prepare for the 45th anniversary.

Pang Tak Chung MH
Chairman

Hong Kong, 26th March, 2021

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

- **Mr. Pang Tak Chung MH**, aged 72, 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 45 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 65, 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 40 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

- **Ms. Pang Wan Ping**, aged 43, has been an 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 18 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 63, has been an 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 36 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.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

- **Mr. Yu Kwok Kan, Stephen**, aged 65, has been 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 40 years' advisory experience on taxation in Australia, Hong Kong and Mainland China.

- **Mr. Chan Yat Yan**, aged 65, has been 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 63, has been 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 has over 35 years of experience in statistical, accounting, auditing and financial restructuring work and is the founder of Y.T. Lo & Co Limited, Certified Public Accountants, Hong Kong. Mr. Lo was a member of the Hong Kong Institute of Certified Public Accountants ("HKICPA") before, his name was removed from the register of certified public accountants by order of the Disciplinary Committee of the HKICPA for one year with effect from 5th October, 2020. Mr. Lo has tendered his resignation as an Independent Non-executive Director of the Company on 26th March, 2021, effective 27th March, 2021. Upon his resignation becoming effective, Mr. Lo will at the same time cease to be a member of the Audit Committee and Remuneration Committee of the Company.

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, 2020 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.

Upon the resignation of Mr. Lo Yip Tong effective, the number of Independent Non-executive Directors will be reduced to two and the Audit Committee will have only two members. Pursuant to Rule 3.10(1) of the Listing Rules, the Board shall have at least three Independent Non-executive Directors. In addition, Rule 3.21 of the Listing Rules requires that the Audit Committee shall comprise Non-executive Directors only and have a minimum of three members. Further, pursuant to paragraph 1.1 of its terms of reference, the Audit Committee must consist of a minimum of three members, all of whom must be Non-executive Directors. Therefore, as a result of Mr. Lo's resignation, the Company no longer complies with the relevant requirements under Rules 3.10(1) and 3.21 of the Listing Rules and no longer meets the requirements on composition of the Audit Committee in accordance with its terms of reference. The Company is in the process of identifying a suitable candidate to fill the vacancies as soon as practicable, with the relevant appointment to be made within three months from the date on which Mr. Lo's resignation effective, in order to re-comply with the relevant requirements of the Listing Rules and the terms of reference of the Audit Committee. The Company will make further announcement as and when appropriate.

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, 2020.

CORPORATE GOVERNANCE REPORT

THE BOARD

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

Executive Directors

Mr. Pang Tak Chung 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 (resignation effective 27th March, 2021)

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. The Company encourages all directors to attend external courses for knowledge strengthened relating to the director's roles and responsibilities of a listed company, and course fee for which could be reimbursable fully upon applied.

TRAINING AND SUPPORT FOR DIRECTORS *(continued)*

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 (resignation effective 27th March, 2021)	✓

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.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Board met five 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.

CORPORATE GOVERNANCE REPORT

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.

During the year, the Audit Committee met six 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, 2020.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2020

	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	5/5	N/A	N/A	1/1
Mr. Ho Wai Yu, Sammy	5/5	N/A	N/A	1/1
Ms. Pang Wan Ping	5/5	N/A	N/A	1/1
Mr. Lau Ngai Fai	5/5	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Yu Kwok Kan, Stephen	5/5	6/6	1/1	1/1
Mr. Chan Yat Yan	5/5	6/6	1/1	1/1
Mr. Lo Yip Tong (resignation effective 27th March, 2021)	5/5	6/6	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.

CORPORATE GOVERNANCE REPORT

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, 2020, 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.

AUDITOR'S REMUNERATION

During the year ended 31st December, 2020, 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 2020 final results	2,214
Audit service fee for Occupational Retirement Schemes	8
Total fees	2,222

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

The procedures for sending enquiries to the Board

Any enquiries from shareholders can be made by telephone, facsimile or email to the Company during office hours, or by letter sent to the Company's head office in Hong Kong.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Golik Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to present our Environmental, Social and Governance (“ESG”) performance report (the “Report”) for the year 2020. This Report details our continuous effort in our Group’s ESG journey as we continue to aspire to be a positive contributor to our communities, our society and our environment.

Board Statement

The primary aim of the Board is to create and enhance long-term positive value for our shareholders and this sets as the key objective for all our business units. We believe acting sustainably is equally important when we realise the full potential of our two core pillars of business that meets the aspirations of the broader stakeholder community.

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. Under the direction of the Board, the Group’s sustainability policies and practices for our four material ESG aspects have been formulated and aligned with our desired standards. The Group considers sustainability as a direction for our long-term development.

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.

Sustainability Governance Structure

The Group has formalized a Sustainability Committee which is under the leadership of our Board of Directors. An executive director is assigned to lead the working group and this group is supported by our operations’ general managers and our corporate department. The Sustainability Committee works closely with the Board in implementing various ESG approaches and evaluates its performance for the Group’s sustainable growth.

Reporting Period

This Report covers our ESG performance in our Hong Kong and Mainland China operations from 1st January, 2020 to 31st December, 2020 with figures of previous years.

Reporting Framework

The content of the Report is prepared according to standards in “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Reporting Framework *(continued)*

The statistical data disclosed in this Report are derived from our own data collection. This Report contains data and activities from our headquarter in Hong Kong and our manufacturing facilities in Hong Kong and Mainland China. The Group have implemented a phased approach to our ESG reporting – we will continue to review, expand and provide additional disclosures and information over time so our stakeholders can further understand our ESG approaches and performance. This sustainability framework will continue to integrate into our day-to-day operations so that it remains an important part of what we do. Our annual sustainability report will continue to be published as part of our annual report.

The Report can also be viewed on our website at www.golik.com.

Materiality Assessment

We conducted a Materiality Assessment exercise with key members of our Management in the financial year to identify material aspects. The material aspects that have been identified as material to us are Environmental, Social and Governance issues that reflect significant impacts of our operations, or could substantively influence the assessments and decisions of our Stakeholders. The Group gathers issues of concern internally from our management teams as well as from our operational units. Four material aspects have been identified, which were validated and approved by the Board and they are: Occupational Health and Safety, Environmental, Social and Governing.

Stakeholders' Engagement

Stakeholders' Engagement is very essential to our Group since they are entities or individual that can be affected by our Group's operations, activities, products and services, or whose actions can affect our Group to implement our business strategies and decisions. It is our priority to understand our stakeholders' expectations and concerns in order to create value for all our stakeholders. During the reporting period, we have conducted various activities to keep a close contact with our key stakeholders.

Stakeholders' Feedback

We welcome feedbacks from our stakeholders with regards to our sustainability efforts as they are valuable comments to our sustainability development and improvement. Please kindly send your feedback to:
Email: info@golik.com

Address: Suite 6505, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong

Environmental Performance

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.

Environmental Performance *(continued)*

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 2020, we collected and measured the environmental figures from plants located in Hong Kong that may have sustainability concern to our shareholders. The findings are summed up in following paragraphs and also in the company performance and data table.

Air and Greenhouse Emissions

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.

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 2020 was 1,884 tonnes of CO_2e, which increased by 32.58% compared to year 2019. The total direct and indirect carbon emissions (Scope 1&2) per production volume was 0.0053 tonne of CO_2e, while year 2019 was 0.0052 tonne of CO_2e. The increase of the total carbon emissions was due to the closure of one of our concrete plants and the further enhancement of emission data collection in year 2020. Other emissions figures are: nitrogen oxides (NOx) emission was 6.46 tonnes, which increased by 28.17% compared to year 2019. Sulfur oxides (SOx) emission was 10.73 kgs, which decreased by 5.63% compared to year 2019 and particulate matter (PM) emission was 464.28 kgs, which increased by 28.11% compared to year 2019.

Hazardous and non-hazardous waste

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

For financial year 2020, the total quantity of chemical waste was 0.80 tonne, which is 0.0021 tonne per production volume. There was a huge increase of 100% of total quantity of chemical waste compared to year 2019. The total quantity of non-hazardous waste produced was 10,965 tonnes which is 0.029 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Use of Resources

The Group is committed to actively promote the efficient use of resources including energy usage, water conservations and the efficient use of raw materials into our operations. Our approach is continue to implement effective energy allocation and utilisation, reducing energy and resources wastages.

Electricity and water supply to the Group is mainly purchased from the government. For financial year 2020, the total electricity consumption for the selected plants was 1,197,990 kWh, increased by 59.23% compared to year 2019. The electricity consumption was 3.57 kWh per production volume, decreased by 5.56% compared to year 2019. The total water consumption was 73,961 m^3, which is 0.22 m^3 per production volume. The water consumption was increased by 53.55% as well as the consumption per production volume has decreased by 8.33% for the year 2019.

We also implement green manufacturing approach for our ready mixed concrete operation in which we aim to maximise our resources efficiency and actively recycle waste water during its production process. 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.

An effective administrative control has been taken to prevent unnecessary use of electricity and energy in all production activities that raise awareness of electricity conservation among our staff. The energy consumption intensity was found 3.57 kWh in 2020, it declined from 3.78 kWh in 2019. The reduction was contribution by the increased production volume and thus increased the energy-efficiency in production.

During the reporting period, the Group did not encounter any issue in sourcing water that is fit for purpose. The total freshwater consumption intensity was 0.22 m^3 (cubic meters per production unit that decreased by 8.33% from 0.24 m^3 in 2019). The water supply in the certain plant was totally provided by the property owners; thus, it was not available for consumption calculation during the reporting period. The company is conscientious in water conservation as it is one of the most precious natural resources on earth. We strive on the utilizing of the treated water in plant daily cleaning and truck washing activities in order to minimize the use of fresh water.

Our finished products do not have any packaging materials hence the total packaging material used is not applicable to our Group.

The Environment and Natural Resources

The Group is committed to pursue a high standard of environmental management throughout its operations and strive for continual improvement of environmental performance. 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. By integrating green manufacturing and green concept in our daily operations, the Group will make sure the environmental impacts will be at its lowest and continue to strive to be a responsible global citizen.

Climate Change

Climate change is one of the most important issues the world faces today and the Group recognizes its commitment to work towards a better sustainable environment and strives to address and mitigate any climate change related issues and challenges.

Our approach is actively reducing climate-related physical risks to our operations and supply chain, mitigating transition risks and leveraging opportunities. We continue to make every effort in lowering carbon output and improves the efficiency of our operations and reduce related emissions. The Group also recognizes that water is a scarce resource and that future supplies will be affected by population growth and climate change. The Group is committed to manage our water use responsibly and implements water management plan, reduce usage and improve its discharge quality.

Employment and Labour Practices

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, rest period, equal opportunity, diversity and anti-discrimination.

As of 31st December, 2020, the total workforce of the Group was 1,629 (2019: 1,557) employees for our Hong Kong and Mainland China operations. Due to the nature of our businesses, majority of our employees are male employees. During the reporting period, the total employee turnover rate was 21% (2019: 19%).

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.

Health and safety

Human resource is the Group's most important asset and the foundation of the Group's future development and success. The Group believes that workplace health and safety of our employees is an important material aspect due to the nature of our operations. The Group also aims at achieving a high level of occupational health and safety performance and promoting and supporting the safety culture in order to provide healthy and safe working conditions for all of our employees. All injuries, occupational illnesses and incidents are preventable and any harm to our employee through their work activities is unacceptable.

The Group's aim is to educate our employees, make them focus on the importance of safety in all of our business activities and make workplace health and safety becomes everyone's accountability. In particularly, we encourage our employees to actively take part in improving our safety standards through various initiative such as monthly safety meetings.

The Group adheres to the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong). The Group ensures our commitments in maintaining workplace health and safety are well conveyed among all employees within the Group.

There were no work-related fatalities occurred and no record of serious work injuries or death in the past three years including the reporting year.

Development and Training

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. Apart from that, the group provides induction training and continuous internal training for employees at all levels in the hope of helping them adapt to the ever-changing business environment through life-long learning.

During the reporting period, 1,390 (85%) employees in our Group received training. The Group provided a total of approximately 77,000 hours of different kinds of training to those relevant employees and the average training hours completed per employee during the reporting period was 55.4 hours.

Labour Standards

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.

The Group strictly complies with the applicable laws and regulations on employment, child and forced labour practices which include the Employment Ordinance in Hong Kong, and the Labour Law, Labour Contract Law on this issue. During the reporting period, the Group has not experienced any non-compliance involving child or forced labour.

The Group has set some preventive measures on child and forced labour employment such as carrying out the candidates screening in recruitment process and there is an opinion box with security for employees gathering their opinions in confidential way and only authorized persons are allowed to access the opinion box.

Furthermore, The Group can eliminate such practices through some communication channels including staff appraisal meetings, department meetings, intranet and email communications and seminars, workshops and trainings.

Supply Chain Management

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 persists in establishing long term strategic partnership with suppliers which have good reputations and provide quality products and services.

Supply Chain Management *(continued)*

For each of our businesses, we have established a checklist to assess the suitability of suppliers which include items such as pricing, services, technical capability, quality of raw materials, location, delivery time and services etc. On top of this, we conduct partnership evaluation for our key suppliers and subcontractors on the aspects of quality, environmental and occupational safety. Partnered suppliers and subcontractors of the key processes are evaluated and approved by senior management and their performance is closely monitored with regular feedback from employees at workplace. This evaluation is conducted annually to keep track of the performance of our suppliers and contractors.

In addition, the Group is concerned about the environmental and social crisis along the supply chain, the group various operations proactively performs internal audits and conducts the outsourced quality test periodically to ensure the quality of the products and service performance from our suppliers so as to prevent delivery of sub-standard products for construction works. Furthermore, "Just-in-time" management strategy is also applied along with the supply chain to ensure "On-time deliver" of our products and services to customers to avoid any delay in customer's construction process.

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.

Product Responsibility

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.

During the reporting period, the business unit we selected has no sold products due to recalls for safety and health reasons.

The Group registered 3 domain names significant to the Group's businesses in Hong Kong and 4 domain names in Mainland China. During the reporting period, the Group did not involve in any material proceedings in relations to the intellectual property rights and there was no claim for any infringement of any intellectual property rights. The Group believes that all reasonable measures have been taken to prevent any infringements of its own intellectual property rights.

Product Responsibility *(continued)*

The Group strictly abides by the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) and keeps the personal information of stakeholders collected confidential. The employee handbook stipulates our guidelines on confidentiality and that the employees are obliged to ensure the safekeeping of confidential, trade secrets and sensitive information.

The Group is committed to collecting and using the customer data in a responsible, fair and equal manner, and all customer data can only be used for the purposes set out in the client contract. During the reporting period, the Group was not aware of non-compliance with laws and regulations relating to the infringement of personal privacy.

Anti-corruption

The Group's principle is to conduct our operations in a lawful, ethical and professional manner and we are firmly committed to the prevention of corruption and bribery across all areas of our operations. The Group does not tolerate bribery and malpractice of any form including extortion, fraud and money laundering. All directors and staff are prohibited from soliciting, accepting or offering any bribe and are required to comply with the Prevention of Bribery Ordinance of Hong Kong. Our employees also receive regular anti-corruption and internal control training to reinforce their awareness.

The Group has implemented a whistle-blowing policy and the Audit Committee has the authority to conduct independent investigations into any complaints. The whistle-blowing policy provides a way for employees to report malpractices in the workplace to the appropriate person, and for the necessary follow up action to be taken on such a report. The supervision of the whistle-blowing policy is carried out by the Audit Committee.

During the reporting period, there were no legal cases regarding corrupt practices.

Community Investment

The Group strongly believes that contributing to the community is very crucial while growing our business at the same time. During the reporting year, 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.

Over the past few years, we continued to sponsor and promote young athletes in Hong Kong. In financial year 2020, despite epidemic situation of COVID-19 in Hong Kong and the closure of sports fields and games – we continued to sponsor HK$300,000 to the North District Soccer Recreation Club Limited as Gold Sponsor for their soccer team and named it as "North District Golik". We held strong belief that 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.

After the outbreak of the new coronavirus epidemic, the Group donated some surgical masks to King's college Old Boys' Association Primary School to support the resumption of classes for their school.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Company Performance and Data Table

Item	HKEx Indicator	Year 2020	Year 2019
Emissions data			
Nitrogen oxides (NOx) emission (tonnes)	A1.1	6.46	5.04
Sulfur oxides (SOx) emission (kgs)	A1.1	10.73	11.37
Particulate matter (PM) emission (kgs)	A1.1	464.28	362.40
Carbon emissions			
Total direct and indirect carbon emissions (tonnes of CO_2e)	A1.2	1,884	1,421*
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonnes of CO_2e)	A1.2	0.0053	0.0052*
Hazardous waste			
Chemical waste produced (tonnes)	A1.3	0.80	0.40
Total hazardous waste produced per production volume (tonnes)	A1.3	0.0021	0.0010
Non-hazardous waste			
Solid waste produced (tonnes)	A1.4	10,965	9,218
Total non-hazardous waste produced per production volume (tonnes)	A1.4	0.029	0.026
Resources consumption			
Electricity consumption (kWh)	A2.1	1,197,990	752,360
Electricity consumption per production volume (kWh)	A2.1	3.57	3.78
Water Consumption (m^3)	A2.2	73,961	48,168
Water Consumption per production volume (m^3)	A2.2	0.22	0.24

Remarks: Figures marked with "*" have been revised according to EMSD's Index. Please refer to the previous annual report for the previous figures.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2020.

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 43, 20 and 21 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3.5 cents per share to the shareholders whose names appear on the register of members of the Company on 23rd June, 2021, amounting to HK$20,103,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$55,295,000. In addition, property, plant and equipment with carrying values of HK$10,448,000 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 32 and 33 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2020 were as follows:

	31.12.2020 **HK$'000**	31.12.2019 HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**107,333**	110,229
	173,224	176,120

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

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

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 (resignation effective 27th March, 2021)

In accordance with Bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Pang Tak Chung MH and Pang Wan Ping will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31st December, 2020, 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' REPORT

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2020, 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, 2020 and 31st December, 2020. 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 33 to the consolidated financial statements.

(2) Shares in subsidiaries

As at 31st December, 2020, 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, 2020, 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.

DIRECTORS' REPORT

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, 2020, 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, 2020, 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 38% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 14% 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.

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$766,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of Environmental, Social and Governance Report of the Group are set out on pages 22 to 30 of this annual report.

DIRECTORS' REPORT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the respective circulars of the Company 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"), an indirect non wholly-owned subsidiary of the Company, entered into the Property Lease Agreements, the New Processing Agreement, the New Equipment Lease Agreement and the Steel Wire and Steel Wire Rope Equipment Lease Agreement with 天津市新天鋼中興盛達有限公司 Tianjin NTS Flourish Co., Ltd.*, formerly known as 天津冶金集團中興盛達鋼業有限公司 Tianjin Metallurgy Group Flourish Steel Industrial Co., Ltd.* ("Flourish Steel"). Flourish Steel is a wholly-owned subsidiary of 天津冶金集團有限公司 Tianjin Metallurgy Group Ltd.* ("TJMG") and TJMG is a substantial shareholder of TJ Goldsun, therefore Flourish Steel was a connected person of the Company at the subsidiary level.

渤海鋼鐵集團有限公司 Bohai Steel Group Co., Ltd.* ("BSG") was the ultimate holding company of Flourish Steel and TJMG, certain BSG's member companies had been in financial difficulties and required to be restructured, including Flourish Steel and TJMG. On 27th August, 2018, Tianjin No. 2 Immediate Peoples' Court ("Court") has appointed the Liquidation Team of BSG group's companies as the Liquidation Manager for TJMG group's companies, on 26th December, 2018, the Liquidation Manager has confirmed an independent third party acting as a strategic investor ("TPSI") to the restructuring scheme for BSG group's companies ("BSG Scheme") and on 31st January, 2019 ("Date"), the BSG Scheme has also been approved by the Court. Pursuant to the BSG Scheme, Flourish Steel was required to be taken over by the TPSI and therefore ceased to be a wholly-owned subsidiary of TJMG, as such, Flourish Steel was no longer regarded as a connected person of the Company as from the Date on in the opinion of directors.

The transactions contemplated under the Property Lease Agreements, the New Processing Agreement, the New Equipment Lease Agreement and the Steel Wire and Steel Wire Rope Equipment Lease Agreement between TJ Goldsun and Flourish Steel were not continuing connected transactions of the Company under Chapter 14A of the Listing Rules and with retrospective effect from the Date.

Transactions with an associate which are disclosed as related party transactions in note 39 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 here.

* *English names, if any, for identification purpose only*

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, 26th March, 2021

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 43 to 136, which comprise the consolidated statement of financial position as at 31st December, 2020, 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, 2020, 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

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, 2020, the carrying amount of trade receivables was HK$665,588,000 (net of impairment losses of HK$43,607,000).

How our audit addressed the key audit matter

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;
- Evaluating the reasonableness of default rates adopted by checking to historical losses experiences of the Group and debtor's historical payment pattern;
- Evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated against entity-specific information and market data; and
- Testing the integrity and arithmetic accuracy of the assessment made by management.

KEY AUDIT MATTERS *(continued)*

Key audit matter

Write-down of inventories

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

As set out in note 4 to the consolidated financial statements, the management estimates the net realisable values for steel products primarily based on the market condition and the latest selling prices of steel products. Moreover, the management reviews the usability and 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, 2020, the carrying amount of inventories was HK$444,521,000 (net of write-down of inventories of HK$22,619,000).

How our audit addressed the key audit matter

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

- Understanding the methodologies used 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 contracted/invoice prices in subsequent sales or the market prices, on a sample basis; and
- 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.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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, actions taken to eliminate threats or safeguards applied.

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 Chung Yin Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26th March, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5	**2,991,068**	2,803,735
Cost of sales		**(2,495,197)**	(2,425,739)
Gross profit		**495,871**	377,996
Other income	6	**33,294**	23,271
Interest income		**3,232**	2,526
Selling and distribution costs		**(134,609)**	(115,121)
Administrative expenses		**(165,078)**	(171,011)
Impairment losses under ECL model, net	7	**(12,353)**	(17,190)
Impairment losses on interest in an associate		**(1,005)**	–
Other gains and losses	8	**(2,778)**	342
Other expenses		**(45,370)**	(44,130)
Finance costs		**(31,836)**	(42,204)
– Interest on bank borrowings		**(19,658)**	(28,810)
– Interest on lease liabilities		**(12,178)**	(13,394)
Share of result of a joint venture		**1,603**	(114)
Share of result of an associate		**333**	31
Profit before taxation		**141,304**	14,396
Income taxes	9	**(23,659)**	(5,945)
Profit for the year	10	**117,645**	8,451
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		**32,412**	(10,069)
– Release from exchange reserve upon deregistration of a subsidiary		**531**	–
– Release from Mainland China statutory reserve upon deregistration of a subsidiary		**(43)**	–
Item that will not be reclassified to profit or loss:			
– Fair value (loss) gain on an equity instrument at fair value through other comprehensive income ("FVTOCI")		**(603)**	1,029
Other comprehensive income (expense) for the year		**32,297**	(9,040)
Total comprehensive income (expense) for the year		**149,942**	(589)
Profit (loss) for the year attributable to:			
Shareholders of the Company		**93,545**	(6,233)
Non-controlling interests		**24,100**	14,684
		117,645	8,451
Total comprehensive income (expense) for the year attributable to:			
Shareholders of the Company		**119,940**	(13,598)
Non-controlling interests		**30,002**	13,009
		149,942	(589)
		HK cents	HK cents
Basic earnings (loss) per share	14	**16.29**	(1.10)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2020

	NOTES	31.12.2020 HK$'000	31.12.2019 HK$'000
Non-current Assets			
Investment properties	17	–	4,020
Property, plant and equipment	18	491,170	471,319
Right-of-use assets	19	262,785	273,168
Interest in a joint venture	20	5,484	3,881
Interest in an associate	21	–	–
Amount due from an associate	21	364	31
Equity instrument at FVTOCI	22	3,718	4,321
Insurance policy assets	23	13,294	12,790
Rental and other deposits	25	12,036	5,640
Deposits paid for acquisition of property, plant and equipment		4,921	11,143
Loan receivables	25	2,485	3,151
		796,257	789,464
Current Assets			
Inventories	24	444,521	579,178
Trade, bills, loan and other receivables	25	764,196	644,361
Income tax recoverable		467	5,191
Bank deposits with original maturity over three months	26	2,376	2,232
Bank balances and cash	26	403,092	304,672
		1,614,652	1,535,634
Assets classified as held for sale	16	35,097	33,899
		1,649,749	1,569,533
Current Liabilities			
Trade and other payables	27	331,058	297,506
Contract liabilities	28	24,510	7,380
Lease liabilities	29	47,299	49,207
Amounts due to non-controlling shareholders	30	3,200	3,200
Income tax payable		8,054	4,674
Bank borrowings	31	691,766	791,461
		1,105,887	1,153,428
Net Current Assets		543,862	416,105
		1,340,119	1,205,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2020

	NOTES	31.12.2020 HK$'000	31.12.2019 HK$'000
Capital and Reserves			
Share capital	32	**57,438**	57,438
Share premium and reserves		**959,449**	850,997
Equity attributable to shareholders of the Company		**1,016,887**	908,435
Non-controlling interests	43	**88,545**	61,152
Total Equity		**1,105,432**	969,587
Non-current Liabilities			
Deferred tax liabilities	34	**20,880**	17,280
Lease liabilities	29	**213,807**	218,702
		234,687	235,982
		1,340,119	1,205,569

The consolidated financial statements on pages 43 to 136 were approved and authorised for issue by the Board of Directors on 26th March, 2021 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, 2020

	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, 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
Profit for the year	–	–	–	–	–	–	–	93,545	93,545	24,100	117,645
Other comprehensive income (expense) for the year											
Exchange difference arising on translation of foreign operations	–	–	26,510	–	–	–	–	–	26,510	5,902	32,412
Deregistration of a subsidiary	–	–	531	(43)	–	–	–	–	488	–	488
Fair value loss on an equity instrument at FVTOCI	–	–	–	–	–	(603)	–	–	(603)	–	(603)
Total comprehensive income (expense) for the year	–	–	27,041	(43)	–	(603)	–	93,545	119,940	30,002	149,942
Dividends paid to the shareholders of the Company (note 13)	–	–	–	–	–	–	–	(11,488)	(11,488)	–	(11,488)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,609)	(2,609)
Disposal of investment properties	–	–	–	–	(635)	–	–	635	–	–	–
Transfer between reserves	–	–	–	5,788	–	–	–	(5,788)	–	–	–
At 31st December, 2020	**57,438**	**323,195**	**31,151**	**38,750**	**–**	**3,718**	**(21,186)**	**583,821**	**1,016,887**	**88,545**	**1,105,432**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2020

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, 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**141,304**	14,396
Adjustments for:		
Fair value loss on investment properties	**–**	110
Loss (gain) on disposal of property, plant and equipment	**8,438**	(605)
Gain on disposal of investment properties	**(113)**	–
Net increase (decrease) in provision of inventories	**15,606**	(27,592)
Depreciation of property, plant and equipment	**36,079**	36,559
Depreciation of right-of-use assets	**60,788**	63,029
Interest income	**(3,232)**	(2,526)
Finance costs	**31,836**	42,204
Share of result of a joint venture	**(1,603)**	114
Share of result of an associate	**(333)**	(31)
Impairment losses under ECL model, net	**12,353**	17,190
Operating cash flows before movements in working capital	**301,123**	142,848
Decrease in inventories	**130,553**	63,180
Increase in rental and other deposits, and trade, bills and other receivables	**(116,049)**	(9,549)
(Decrease) increase in trade and other payables	**(809)**	101,034
Increase in contract liabilities	**16,304**	488
Cash generated from operations	**331,122**	298,001
Hong Kong Profits Tax paid	**(1,575)**	(1,632)
Hong Kong Profits Tax refunded	**5,559**	531
Taxation outside Hong Kong paid	**(19,702)**	(13,938)
Taxation outside Hong Kong refunded	**2,890**	4,102
NET CASH FROM OPERATING ACTIVITIES	**318,294**	287,064

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2020

	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES		
Deposits received for disposal of a subsidiary	**30,000**	40,000
Proceeds from disposal of investment properties	**4,133**	–
Interest received	**3,755**	2,119
Proceeds from disposal of property, plant and equipment	**2,010**	1,451
Repayment from an associate, net	**1,250**	–
Repayment of loan receivables	**645**	752
Repayment from a joint venture	**–**	1,153
Purchase of property, plant and equipment	**(45,751)**	(26,062)
Deposits paid for acquisition of property, plant and equipment	**(4,381)**	(10,577)
Payments for rental deposits	**(1,798)**	(809)
Consideration for acquisition of further interest in an associate	**(1,005)**	–
Payments for insurance policy assets	**(504)**	(495)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(11,646)**	7,532
FINANCING ACTIVITIES		
Repayment of trust receipt loans	**(958,248)**	(1,408,471)
Repayment of bank loans	**(455,135)**	(620,050)
Repayments of lease liabilities	**(54,666)**	(55,854)
Interest paid	**(32,246)**	(42,302)
Dividends paid	**(11,488)**	(3,141)
Dividend paid to non-controlling interests	**(2,609)**	(2,688)
Trust receipt loans raised	**984,772**	1,119,862
Bank loans raised	**318,138**	679,946
Expenses paid under scrip dividend scheme	**–**	(122)
NET CASH USED IN FINANCING ACTIVITIES	**(211,482)**	(332,820)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**95,166**	(38,224)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**323,263**	363,567
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**4,452**	(2,080)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**422,881**	323,263
Represented by:		
Bank balances and cash	**403,092**	304,672
Bank balances and cash under assets held for sale	**19,789**	18,591
	422,881	323,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

1. GENERAL INFORMATION

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.

The outbreak of the novel coronavirus (COVID-19) pandemic severely impacted global business activities as well as the economy. As a result, the COVID-19 pandemic has affected the businesses of the Group in Mainland China and Hong Kong to a certain degree in the first half of 2020. Benefited from the effective control measures by the Mainland China government, the COVID-19 pandemic in Mainland China has been gradually brought under control and led to various economic activities significantly stabilised in a short period of time. And under the leadership of the management and the effort of the staff of the Group, most of the businesses of the Group were able to recover as planned and the performance of the Group was satisfactory. Overall, the management of the Group believe that the outbreak of the COVID-19 has not resulted in any material adverse effects on the financial position and operating result of the Group.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New HKFRS and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1st January, 2023.
2 Effective for annual periods beginning on or after 1st January, 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1st June, 2020.
5 Effective for annual periods beginning on or after 1st, January 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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, insurance policy assets and certain financial instruments, which are measured at fair values at the end of each reporting period, 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 accounted for in accordance with 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*.

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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:

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Basis of preparation of consolidated financial statements *(continued)*

- 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.

3.2 Significant accounting policies

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

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 is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Assets held for sale *(continued)*

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Property, plant and equipment

Property, plant and equipment, including leasehold land and buildings (classified as finance leases) are tangible assets 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.

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" 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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 classified as right-of-use assets 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

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. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (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, less any lease incentives receivable, 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

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both leases 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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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.

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 the 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, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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 period, 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, are 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 are reclassified to profit or loss.

Borrowing costs

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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 income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for 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 bases 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax (continued)

For the purposes of measuring deferred tax 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 resulting 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Inventories

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. 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 (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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.

Other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) 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.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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 an associate, bank deposits with original maturity over three months and bank balances) which are subject to impairment assessment 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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(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 and 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. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 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 equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI 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

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

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.

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 testing a CGU for impairment, corporate assets are allocated to the relevant CGU 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

Impairment on property, plant and equipment and right-of-use assets other than goodwill *(continued)*

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.

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 related to income 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. Such grants are presented under "other income".

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Significant accounting policies *(continued)*

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.

Estimated provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31st December, 2020, the carrying amount of trade receivables was HK$665,588,000 (net of impairment losses of HK$43,607,000) (2019: HK$567,115,000 (net of impairment losses of HK$41,824,000)). For the year ended 31st December, 2020, the impairment losses recognised amounted to HK$2,473,000 (2019: HK$17,115,000).

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 41(f) and 25.

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

Write-down of inventories

The Group's inventories include steel products, concrete products and other construction products. 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, 2020, the carrying amount of inventories is HK$444,521,000 (net of write-down of inventories of HK$22,619,000) (2019: HK$579,178,000 (net of write-down of inventories of HK$6,764,000)). For the year ended 31st December, 2020, the net increase of provision of inventories was HK$15,606,000 (2019: net decrease of HK$27,592,000).

5. REVENUE AND SEGMENT INFORMATION

Information reported to the Chairman and Vice Chairman of the Group, being the chief operating decision makers ("CODM"), 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, 2020

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2020

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	**1,319,899**	**–**	**–**	**1,319,899**
Concrete products	**–**	**379,528**	**–**	**379,528**
Construction steel products and processing, and other construction products	**–**	**1,291,641**	**–**	**1,291,641**
Total	**1,319,899**	**1,671,169**	**–**	**2,991,068**

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

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 150 days (2019: 30 to 120 days) to its customers. As at 31st December, 2020 and 2019, 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:

2020

	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	1,319,899	1,671,169	2,991,068	–	–	2,991,068
Inter-segment sales	7,340	3,113	10,453	–	(10,453)	–
Total	1,327,239	1,674,282	3,001,521	–	(10,453)	2,991,068
SEGMENT RESULT	139,440	45,862	185,302	–	–	185,302
Unallocated other income						3,780
Unallocated corporate expenses						(17,878)
Finance costs						(31,836)
– Interest on bank borrowings						(19,658)
– Interest on lease liabilities						(12,178)
Share of result of a joint venture						1,603
Share of result of an associate						333
Profit before taxation						141,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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
Profit before taxation						14,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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

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

Other segment information

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

2020

	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	**19,234**	**16,194**	**35,428**	**–**	**651**	**36,079**
Depreciation of right-of-use assets	**13,779**	**39,837**	**53,616**	**–**	**7,172**	**60,788**
(Reversal of) impairment losses under ECL model, net	**(504)**	**13,645**	**13,141**	**–**	**(788)**	**12,353**
Net increase in provision of inventories	**3,311**	**12,295**	**15,606**	**–**	**–**	**15,606**
Loss (gain) on disposal of property, plant and equipment	**2,698**	**5,760**	**8,458**	**–**	**(20)**	**8,438**
Addition of property, plant and equipment	**33,812**	**17,175**	**50,987**	**–**	**4,308**	**55,295**
Addition of right-of-use assets	**–**	**36,388**	**36,388**	**–**	**3,745**	**40,133**

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 decrease in 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

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:

2020

	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	**11,285**	**1,623,365**	**–**	**1,634,650**	**349,096**
Mainland China	**1,234,643**	**33,333**	**–**	**1,267,976**	**416,258**
Macau	**70**	**5,198**	**–**	**5,268**	**–**
Others	**73,901**	**9,273**	**–**	**83,174**	**–**
	1,319,899	**1,671,169**	**–**	**2,991,068**	**765,354**

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

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.

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 CODM in the resource allocation and assessment of performance.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Rental income from property, plant and equipment (note a)	**145**	506
Rental income from investment properties (note a)	**–**	170
Sales of scraps and samples	**8,540**	6,992
Claims received	**916**	4,762
Crane and weighbridge income	**3,148**	1,403
Processing income	**1,169**	1,385
Government grants (note b)	**15,074**	5,450
Gain on lease modification	**1,268**	–
Transportation income	**613**	768
Storage income	**408**	408
Sundry income	**2,013**	1,427
	33,294	23,271

Notes:

(a) During the year ended 31st December, 2020, the Group recognised lease income of HK$145,000 (2019: HK$611,000) for operating leases as a lessor.

(b) During the year ended 31st December, 2020, a subsidiary of the Company in Mainland China received government grants of HK$748,000 (2019: HK$1,137,000) as fund for "High-tech Enterprises" in Guangdong province.

During the year ended 31st December, 2019, another subsidiary of the Company in Mainland China received government grants of HK$4,120,000 as social insurance subsidy and HK$26,000 as an encouragement for operating in an economic development zone in Tianjin.

During the year ended 31st December, 2020, the Group recognised government grants of HK$11,865,000 (2019: Nil) in respect of Covid-19-related subsidies which relates to Employment Support Scheme provided by the Hong Kong government.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET

	2020 HK$'000	2019 HK$'000
Impairment losses (reversal of impairment losses) on:		
– Amount due from an associate	**(1,250)**	–
– Trade receivables	**2,473**	17,115
– Loan receivables	**(16)**	–
– Other receivables	**11,146**	75
	12,353	17,190

Details of impairment assessment are set out in note 41(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Fair value loss on investment properties	–	110
Gain on disposal of investment properties	(113)	–
Loss (gain) on disposal of property, plant and equipment	8,438	(605)
Loss on deregistration of a subsidiary	488	–
Net exchange (gain) loss	(6,035)	153
	2,778	(342)

9. INCOME TAXES

	2020 HK$'000	2019 HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	–	1,208
Mainland China Enterprise Income Tax	21,012	12,267
Withholding tax paid for distributed profits in Mainland China	1,306	1,922
	22,318	15,397
Underprovision (overprovision) in prior years		
Hong Kong Profits Tax	477	(53)
Mainland China Enterprise Income Tax	(2,736)	(4,234)
	(2,259)	(4,287)
Deferred taxation (note 34)	3,600	(5,165)
	23,659	5,945

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%.

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% for both years. In addition, one Chinese subsidiary of the Company in Tianjin and one in Guangdong were qualified as "High-tech Enterprise" and subject to an Enterprise Income Tax Rate of 15%, which were granted for three years starting from 2019 and 2018 respectively. 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, 2020 and 2019, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

For the year ended 31st December, 2020

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	
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit (loss) before taxation	**10,379**	(56,108)	**130,925**	70,504	**141,304**	14,396
Domestic income tax rate	**16.50%**	16.50%	**25.00%**	25.00%		
Tax at the domestic income tax rate	**1,713**	(9,258)	**32,731**	17,626	**34,444**	8,368
Tax effect of share of result of a joint venture	**–**	–	**(401)**	29	**(401)**	29
Tax effect of share of result of an associate	**(55)**	(5)	**–**	–	**(55)**	(5)
Tax effect of expenses not deductible for tax purpose	**866**	618	**3,493**	2,736	**4,359**	3,354
Tax effect of income not taxable for tax purpose	**(2,566)**	(770)	**(436)**	(31)	**(3,002)**	(801)
Tax effect of tax losses not recognised	**2,942**	9,545	**–**	–	**2,942**	9,545
Tax effect of utilisation of tax losses previously not recognised	**(6,365)**	(1,820)	**–**	–	**(6,365)**	(1,820)
Tax effect of other deductible temporary differences not recognised	**4,315**	115	**3,255**	1,783	**7,570**	1,898
Tax effect of utilisation of other temporary differences not recognised	**(926)**	(1,090)	**(853)**	(565)	**(1,779)**	(1,655)
Effect of tax concession granted to Chinese subsidiaries	**–**	–	**(16,933)**	(9,508)	**(16,933)**	(9,508)
Withholding tax paid	**1,306**	1,922	**–**	–	**1,306**	1,922
Withholding tax on retained profits to be distributed	**3,500**	150	**–**	–	**3,500**	150
Underprovision (overprovision) in prior years	**477**	(53)	**(2,736)**	(4,234)	**(2,259)**	(4,287)
Income tax at concessionary rate	**–**	(165)	**–**	–	**–**	(165)
Others	**176**	(1,277)	**156**	197	**332**	(1,080)
Income taxes for the year	**5,383**	(2,088)	**18,276**	8,033	**23,659**	5,945

Details of deferred taxation are set out in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

10. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**3,040**	3,552
Underprovision in prior years	**645**	60
Cost of inventories recognised as expense including net increase of provision of HK$15,606,000 (2019: net decrease of provision of HK$27,592,000)	**2,495,197**	2,425,739
Depreciation of property, plant and equipment	**36,079**	36,559
Depreciation of right-of use assets	**60,788**	63,029
Interest income on rental deposits	**(396)**	(320)
Research expenditure included in other expenses (including worker and staff costs of HK$16,540,000 (2019: HK$13,672,000) and depreciation of right-of-use assets of HK$1,288,000 (2019: HK$1,303,000))	**45,370**	34,323
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	**281,953**	263,461

During the year ended 31st December, 2020, depreciation of right-of-use assets in relation to director's accommodation amounting to HK$1,871,000 (2019: HK$1,866,000) is included in directors' emoluments under worker and staff costs.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

Directors' and chief executive officer's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the 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$'000 (Note b and e)	2020 Total HK$'000
Fees	–	–	–	–	224	224	224	672
Other emoluments								
Salaries and other benefits	6,165	3,784	1,096	2,870	–	–	–	13,915
Bonus*	1,200	1,200	180	460	–	–	–	3,040
Contributions to retirement benefits scheme	–	302	87	143	–	–	–	532
	7,365	5,286	1,363	3,473	224	224	224	18,159

	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$'000 (Note b and e)	2019 Total HK$'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

* 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, 2020 and 2019.

(e) Mr. Lo Yip Tong resigned as an independent non-executive director with effect from 27th March, 2021.

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12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2019: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2019: two individuals) are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**4,464**	4,177
Contributions to retirement benefits scheme	**61**	109
	4,525	4,286

Their emoluments were within the following bands:

	2020 Number of employees	2019 Number of employees
HK$1,500,001 - HK$2,000,000	**–**	1
HK$2,000,001 - HK$2,500,000	**2**	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. DIVIDENDS

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.

	2020 **HK$'000**	2019 HK$'000
Dividends paid:		
2019 Final – HK2.0 cents (2019: 2018 Final – HK2.0 cents) per ordinary share		
– Cash	**11,488**	3,141
– Scrip share	**–**	8,097
	11,488	11,238
Dividend proposed:		
Final dividend proposed for the year		
– HK3.5 cents (2019: HK2.0 cents) per ordinary share	**20,103**	11,488

The directors proposed the payment of a final dividend of HK3.5 cents per share for the year ended 31st December, 2020 which is subject to the approval by the shareholders at the forthcoming annual general meeting.

14. BASIC EARNINGS (LOSS) PER SHARE

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

	2020	2019
Profit (loss) for the year attributable to shareholders of the Company	**HK$93,545,000**	(HK$6,233,000)
Weighted average number of ordinary shares in issue (Note)	**574,378,128**	567,143,626
Basic earnings (loss) per share	**HK16.29 cents**	(HK1.10 cents)

Note: The weighted average number of ordinary shares in issue for the purposes of basic earnings (loss) per share for the years ended 31st December, 2020 and 2019 included the ordinary shares of the Company in issue during each year.

No diluted earnings (loss) per share for the year ended 31st December, 2020 and 2019 was presented as there were no potential ordinary shares in issue during the year.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2019	34,355
Written off of impaired goodwill	(30,547)
At 31st December, 2019 and 31st December, 2020	3,808
IMPAIRMENT	
At 1st January, 2019	(34,355)
Eliminated on written off of impaired goodwill	30,547
At 31st December, 2019 and 31st December, 2020	(3,808)
CARRYING AMOUNT	
At 1st January, 2019, 31st December, 2019 and 2020	–

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. Considering the prevailing COVID-19 pandemic situations in Hong Kong, it remains difficult for the Purchaser to travel from Mainland China to Hong Kong to complete the sale and purchase transaction on or before 31st December, 2020. For this reason, Fulwealth has conditionally agreed with the Purchaser in writing to further extend the date by which the Disposal shall take place. In December 2020, the Purchaser paid Fulwealth a further deposit of HK$30,000,000 from the balance of consideration. As at 31st December, 2020, the aggregate amount of HK$70,000,000 was included in "Deposits received" (note 27).

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.

16. ASSETS CLASSIFIED AS HELD FOR SALE *(continued)*

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, 2020 and 2019 as follows:

	31.12.2020	31.12.2019
	HK$'000	HK$'000
Property, plant and equipment	**14,018**	14,018
Right-of-use assets	**1,290**	1,290
Bank balances and cash	**19,789**	18,591
	35,097	33,899

17. INVESTMENT PROPERTIES

The Group disposed of investment properties with aggregate carrying amount of HK$4,020,000 during the year ended 31st December, 2020.

The Group leased out its investment properties under an operating lease with fixed rental payable 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, 2019	4,130
Decrease in fair value recognised in profit or loss	(110)
At 31st December, 2019	4,020
Disposal	(4,020)
At 31st December, 2020	–

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For the year ended 31st December, 2020

17. INVESTMENT PROPERTIES *(continued)*

Notes:

(a) The investment properties were 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 had 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	Valuation technique	Key unobservable inputs	Relationship of unobservable input to fair value	Sensitivity
Commercial properties in Guangzhou, Mainland China	Level 3	4,020	Sales comparison approach	Adjusted price per square meter: RMB24,287 to RMB27,620	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.

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, 2019	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
Written-off/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
Exchange difference	1,874	323	483	586	21,534	2,951	16	27,767
Additions	–	6,539	1,067	1,388	5,651	36,187	4,463	55,295
Transfer from right-of-use assets (Note)	–	–	–	230	–	–	–	230
Written-off/disposals	(2,357)	–	(478)	(2,121)	(45,285)	–	(257)	(50,498)
Written off of impaired assets	–	–	(324)	(113)	(1,137)	–	–	(1,574)
Reclassification	–	–	2,926	–	66,148	(69,074)	–	–
At 31st December, 2020	**238,256**	**29,218**	**27,346**	**32,720**	**603,478**	**16,329**	**89,740**	**1,037,087**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2019	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 written-off/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
Exchange difference	1,463	330	398	476	14,017	–	–	16,684
Provided for the year	5,163	1,638	1,217	2,460	25,601	–	–	36,079
Transfer from right-of-use assets (Note)	–	–	–	230	–	–	–	230
Eliminated on written-off/disposals	(2,116)	–	(433)	(1,639)	(35,862)	–	–	(40,050)
Eliminated on written off of impaired assets	–	–	(324)	(113)	(1,137)	–	–	(1,574)
At 31st December, 2020	**124,372**	**19,072**	**21,505**	**27,728**	**349,324**	**–**	**3,916**	**545,917**
CARRYING VALUES								
At 31st December, 2020	**113,884**	**10,146**	**5,841**	**4,992**	**254,154**	**16,329**	**85,824**	**491,170**
At 31st December, 2019	118,877	5,252	3,025	6,436	209,862	46,265	81,602	471,319

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

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: During the year ended 31st December, 2020, certain motor vehicles under finance leases with original cost of HK$230,000 (2019: 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 in respect of assets leased to third party under an operating lease. The lease has been terminated during the year ended 31st December, 2020.

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:

	31.12.2020 **HK$'000**	31.12.2019 HK$'000
Situated in Hong Kong	**107,210**	111,958
Situated in Mainland China (excluding assets classified to assets held for sale)	**6,674**	6,919
	113,884	118,877

19. 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 31st December, 2019					
Carrying amount	11,110	206,468	55,496	94	273,168
As at 31st December, 2020					
Carrying amount	11,394	181,980	69,390	21	262,785
For the year ended 31st December, 2019					
Depreciation charge	447	36,820	25,440	322	63,029
For the year ended 31st December, 2020					
Depreciation charge	404	36,510	23,801	73	60,788

	31.12.2020 HK$'000	31.12.2019 HK$'000
Expense relating to short-term leases	**1,947**	734
Total cash outflow for leases	**68,791**	69,972
Additions to right-of-use assets	**40,133**	19,556
Reclassification to assets held for sale	**–**	1,290

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

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.

For the year ended 31st December, 2020

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

As at 31st December, 2020 and 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, 2020 and 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, 2020 and 2019, the Group has no leases that are committed but not yet commenced.

20. INTEREST IN A JOINT VENTURE

	31.12.2020 HK$'000	31.12.2019 HK$'000
Cost of investments (unlisted)	**1,226**	1,226
Share of post-acquisition profits and other comprehensive income	**4,258**	2,655
	5,484	3,881

Particulars of the joint venture as at 31st December, 2020 and 2019 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
			31.12.2020 %	31.12.2019 %	
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.

Information of the joint venture that is not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit (loss) and total comprehensive income (expense)	**1,603**	(114)

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

	31.12.2020 HK$'000	31.12.2019 HK$'000
Cost of investment (unlisted)	4,505	3,500
Share of post-acquisition losses and other comprehensive expense	(4,505)	(3,500)
	–	–
Amount due from an associate		
– Non-current asset (note b)	18,000	14,000
– Current asset (note b)	–	5,250
Less: impairment losses under ECL model	(8,372)	(9,622)
	9,628	9,628
Less: share of post-acquisition losses that are in excess of the cost of the investment	(9,264)	(9,597)
	364	31

The amount due from an associate after share of post-acquisition losses that are in excess of the cost of the investment of HK$364,000 (2019: HK$31,000) 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, 2020 is set out in note 41(f).

Particulars of the associate as at 31st December, 2020 and 2019 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
			31.12.2020 %	31.12.2019 %	
Hongkong United Reinforcement Engineering Limited	Incorporated	Hong Kong	45	35	Provision of a structural steel cut and bend facility on the premises for rebar cutting, bending and prefabrication services

21. 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 three (2019: two) out of six directors of the company under the Articles of Association of the associate. The chairman of the board of the associate shall be nominated by another shareholder of the associate and shall have a casting vote in the event of an equality of voting.

(b) The amount of HK$18,000,000 (2019: 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. As at 31st December, 2019, the balance of HK$5,250,000 was unsecured and interest-free.

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.

	2020 **HK$'000**	2019 HK$'000
Revenue	**11,681**	11,307
Profit and total comprehensive income for the year	**947**	88

	31.12.2020 **HK$'000**	31.12.2019 HK$'000
Current assets	**3,969**	4,653
Non-current assets	**13,771**	16,875
Current liabilities	**(4,213)**	(3,895)
Non-current liabilities	**(40,000)**	(45,053)

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

	31.12.2020 **HK$'000**	31.12.2019 HK$'000
Net liabilities	**(26,473)**	(27,420)
Proportion of the Group's ownership interest in the associate	**45%**	35%
Share of net liabilities of the associate	**(11,913)**	(9,597)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	**9,264**	9,597
10% pre-acquisition losses not shared	**2,649**	–
Carrying amount of the Group's interest in the associate	**–**	–

22. 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, 2020, the fair value of the investment is HK$3,718,000 (2019: HK$4,321,000) and a fair value loss on this equity instrument of HK$603,000 (2019: fair value gain HK$1,029,000) has been recognised in other comprehensive income and accumulated in FVTOCI reserve.

As at 31st December, 2020, equity instrument at FVTOCI that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$3,718,000 (2019: HK$4,321,000).

23. INSURANCE POLICY ASSETS

	31.12.2020	31.12.2019
	HK$'000	HK$'000
Insurance policy assets due after one year	**13,294**	12,790

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$60,013,000 (2019: HK$60,245,000). 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$9,950,000 (2019: HK$9,975,000) 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.

As at 31st December, 2020, 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$6,606,000 (2019: HK$6,456,000).

24. INVENTORIES

	31.12.2020	31.12.2019
	HK$'000	HK$'000
Raw materials	**60,597**	125,393
Work in progress	**99,680**	77,973
Finished goods	**281,952**	374,303
Supplies	**2,292**	1,509
	444,521	579,178

25. TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	31.12.2020 HK$'000	31.12.2019 HK$'000
Trade receivables	**709,195**	608,939
Less: Impairment losses under ECL model	**(43,607)**	(41,824)
	665,588	567,115
Bills receivables	**26,352**	20,543
Trade and bills receivables	**691,940**	587,658
Loan receivables (Notes)	**3,915**	5,926
Less: Impairment losses under ECL model	**(624)**	(1,990)
	3,291	3,936
Prepayments, deposits and other receivables	**105,856**	73,393
Less: Impairment losses under ECL model	**(22,370)**	(11,835)
	83,486	61,558
Total trade, bills, loan and other receivables	**778,717**	653,152
Analysed for reporting purpose as:		
Current	**764,196**	644,361
Non-current – Loan receivables, net (Notes)	**2,485**	3,151
Non-current – Rental and other deposits	**12,036**	5,640
	778,717	653,152

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

Notes:

a) As at 31st December, 2020, the loan receivables with the carrying amount of HK$3,291,000 (2019: HK$3,918,000) are secured over motor vehicles and repayable by instalments within seven years from the first drawdown date. They bear interest from 2.75% to 5.02% (2019: 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 was unsecured and repayable by instalments within eighteen months from the first drawdown date. It bore interest at 3.5% per annum.

c) As at 31st December, 2020, the loan receivables with the carrying amount of Nil, net of impairment losses under ECL model of HK$600,000 (2019: carrying mount 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, 2020, the loan receivables with the carrying amount of Nil (net of impairment losses under ECL model of HK$24,000 (2019: carrying mount 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, 2020, reversal of impairment losses under ECL model of HK$16,000 was recognised in the profit or loss (2019: Nil).

Other than the cash sales, the Group allows credit periods ranging from 30 to 150 days (2019: 30 to 120 days) to its customers.

For the year ended 31st December, 2020

25. 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:

	31.12.2020	31.12.2019
	HK$'000	HK$'000
0 - 30 days	**362,958**	301,049
31 - 60 days	**211,255**	174,233
61 - 90 days	**75,397**	70,226
91 - 120 days	**21,963**	23,853
More than 120 days	**20,367**	18,297
	691,940	587,658

As at 31st December, 2020, total bills received amounting to HK$26,352,000 (2019: HK$20,543,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$218,552,000 (2019: HK$203,304,000) 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$15,852,000 (2019: HK$14,999,000) 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$17,624,000 (2019: HK$8,238,000).

Details of impairment assessment of trade, bills, loan and other receivables are set out in note 41(f).

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

Bank balances carried interest at prevailing market interest rates.

The bank deposits with original maturity over three months will be matured in 2021 and carry interest at 1.82% per annum.

As at 31st December, 2020, bank 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$63,744,000 (2019: HK$42,278,000).

Details of impairment assessment of bank deposits with original maturity over three months and bank balances and cash are set out in note 41(f).

27. TRADE AND OTHER PAYABLES

	31.12.2020 HK$'000	31.12.2019 HK$'000
Trade payables	**145,567**	159,912
Accruals	**80,713**	64,716
Deposits received	**76,003**	49,957
Other payables	**28,775**	22,921
	331,058	297,506

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:

	31.12.2020 HK$'000	31.12.2019 HK$'000
0 - 30 days	**104,330**	119,186
31 - 60 days	**27,467**	24,823
61 - 90 days	**5,797**	8,856
91 - 120 days	**3,318**	4,907
More than 120 days	**4,655**	2,140
	145,567	159,912

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$38,432,000 (2019: HK$74,363,000).

28. CONTRACT LIABILITIES

	31.12.2020 HK$'000	31.12.2019 HK$'000
Metal products	**19,635**	6,700
Building construction materials	**4,875**	680
	24,510	7,380

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.

29. LEASE LIABILITIES

	31.12.2020 HK$'000	31.12.2019 HK$'000
Lease liabilities payable:		
Within one year	**47,299**	49,207
Within a period of more than one year but not more than two years	**28,474**	34,159
Within a period of more than two years but not more than five years	**34,475**	30,678
Within a period of more than five years	**150,858**	153,865
	261,106	267,909
Less: Amount due for settlement with 12 months shown under current liabilities	**(47,299)**	(49,207)
Amount due for settlement after 12 months shown under non-current liabilities	**213,807**	218,702

The weighted average incremental borrowing rates applied to lease liabilities range from 1.94% to 5.39% (2019: 2.44% to 5.39%).

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities amounted to HK$4,359,000 as at 31st December, 2020 (2019: HK$4,573,000).

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

31. BANK BORROWINGS

	31.12.2020 HK$'000	31.12.2019 HK$'000
Bank loans	**207,678**	333,896
Trust receipt loans	**484,088**	457,565
	691,766	791,461
Analysed as:		
Secured (note 35)	**12,413**	22,309
Unsecured	**679,353**	769,152
	691,766	791,461
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	**40,399**	53,584
Carrying amounts of bank borrowings containing a repayable on demand clause (shown under current liabilities) but repayable		
Within one year	**624,762**	666,524
More than one year, but not exceeding two years	**25,355**	44,491
More than two years, but not exceeding five years	**1,250**	26,862
	651,367	737,877
	691,766	791,461
Less: amounts due within one year shown under current liabilities	**(691,766)**	(791,461)
Amounts shown under non-current liabilities	**–**	–

The effective borrowing rates are ranging from 1.15% to 5.60% (2019: 2.94% to 5.65%) per annum.

For the year ended 31st December, 2020

31. BANK BORROWINGS *(continued)*

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

Denominated in	Interest rate per annum	31.12.2020 HK$'000	31.12.2019 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1.20% to 1.75% (2019: HIBOR plus 0.70% to 1.95%)	**293,262**	584,216
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 1.00% to 1.50% (2019: LIBOR plus 0.70%)	**262,091**	39,886
RMB	Fixed rate ranging from 3.80% to 5.60% (2019: 4.35% to 5.65%)	**136,413**	167,359
		691,766	791,461

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

32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2019, 31st December, 2019 and 2020	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2019	561,922,500	56,192
Shares issued in lieu of dividend under scrip dividend scheme	12,455,628	1,246
At 31st December, 2019 and 2020	574,378,128	57,438

33. SHARE OPTION SCHEME

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

Summary of the Scheme

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

b. The directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("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.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

34. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Withholding tax on retained profits to be distributed HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2019	(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)
Credit (charge) to profit or loss	674	(774)	(3,500)	–	(3,600)
At 31st December, 2020	**(19,414)**	**11,658**	**(13,680)**	**556**	**(20,880)**

At the end of the reporting period, the Group has tax losses of HK$692,739,000 (2019: HK$718,173,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$70,655,000 (2019: HK$75,345,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$622,084,000 (2019: HK$642,828,000) 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$61,263,000 (2019: HK$31,116,000) in respect of accelerated accounting depreciation on property, plant and equipment, provision for inventory and impairment losses under ECL model. A deferred tax asset has been recognised in respect of HK$3,370,000 (2019: HK$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$57,893,000 (2019: HK$27,746,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

35. PLEDGE OF ASSETS

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

	31.12.2020 HK$'000	31.12.2019 HK$'000
Construction in progress	**85,667**	81,084

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

36. OPERATING LEASING ARRANGEMENTS

The Group as lessor

As at 31st December, 2020, no plant and machinery and equipment held for rental purposes with committed lessees.

Undiscounted lease payments receivable on leases are as follows:

	31.12.2019 HK$'000
Plant and machinery and equipment:	
Within one year	319
In the second year	319
In the third year	319
In the fourth year	319
In the fifth year	319
After five years	3,668
	5,263

37. CAPITAL COMMITMENTS

	31.12.2020 HK$'000	31.12.2019 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**10,111**	16,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

38. 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$6,155,000 (2019: HK$12,829,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$97,000 (2019: HK$38,000).

39. 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**	**2020** **HK$'000**	2019 HK$'000
An associate	Interest expenses on lease liabilities	**128**	516
	Expense relating to short-term leases	**1,947**	–
	Interest income	**421**	435

Compensation of key management personnel

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

40. 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 31, 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.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2020 **HK$'000**	31.12.2019 HK$'000
Financial assets		
Financial assets at amortised cost	**1,130,760**	909,877
Financial assets at FVTPL	**13,294**	12,790
Equity instrument at FVTOCI	**3,718**	4,321
Financial liabilities		
At amortised cost	**927,214**	1,023,255
Lease liabilities	**261,106**	267,909

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills, loan and other receivables, bank deposits with original maturity over three months, bank balances and cash, amount due from 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.

For the year ended 31st December, 2020

41. 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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,490**	5,098	**–**	–
United States dollars	**77,646**	37,931	**299,526**	113,347
RMB	**7,390**	7,040	**4**	39
Others	**4,166**	4,768	**993**	863

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**	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**167**	2,465	**18,913**	18,686
United States dollars	**19,299**	11,953	**19,299**	11,953
RMB	**19,951**	14,253	**2,424**	3,303

41. FINANCIAL INSTRUMENTS *(continued)*

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

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

Foreign currency sensitivity

The directors consider that the exposure of Hong Kong dollars against United States dollars is limited as Hong Kong dollars is pegged to United States dollars and the Group is mainly exposed to the currency risk of 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% (2019: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2019: 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% (2019: 5%) change in foreign currency rates. A negative number indicates a decrease in profit for the year where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2019: 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.

	Profit (loss) for the year	
	2020	2019
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**610**	417
United States dollars	**291**	198
RMB	**(1,040)**	(749)
Others	**(133)**	(163)

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.

41. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (note 25), bank deposits with original maturity over three months (note 26), lease liabilities (note 29), and bank borrowings (note 31). 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 insurance policy assets (note 23), variable-rate bank balances (note 26), amount due from an associate (note 21) and bank borrowings (note 31).

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.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Several of the Group's LIBOR/HIBOR/PBOC lending rate bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Sensitivity analysis

Sensitivity analysis on insurance policy assets and bank balances is not presented as the management of the Group considers that the Group's exposure to interest rate fluctuation is insignificant. 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 (2019: 50) basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2019: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2020 would have decreased/increased by HK$2,243,000 (2019: HK$2,547,000).

(e) Price risk management

Other price risk management

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

The Group's equity price risk is mainly concentrated on 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.

41. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment

The Group's financial assets include insurance policy assets, trade, bills, loan and other receivables, amount due from an associate and bank 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, 2020 and 2019, 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 arising from contracts with customers

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

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 loss of HK$2,473,000 (2019: HK$17,115,000) 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. Reversal of impairment recognised amounted HK$16,000 (2019: Nil) 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.

41. FINANCIAL INSTRUMENTS *(continued)*

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

Other receivables and rental deposits

The credit risks on other receivables and rental deposits 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$11,146,000 (2019: HK$75,000) 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.

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 31st December, 2020, the Group assessed the ECL for amount due from an associate and reversal of impairment recognised amounted HK$1,250,000 (2019: Nil).

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

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

The credit risks on bank balances, bank 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, 2020 and 2019, the Group assessed the ECL for bank balances, bank 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 29% (2019: 36%) and 70% (2019: 73%) of the total bank balances and bank 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

41. 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 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

41. FINANCIAL INSTRUMENTS *(continued)*

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

The table below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2020 Gross carrying amount HK$'000	HK$'000	2019 Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost								
Trade receivables	25	N/A	(Note 2)	Lifetime ECL - provision matrix	**669,061**		570,066	
			Loss	Lifetime ECL - credit-impaired	**40,134**	**709,195**	38,873	608,939
Amount due from an associate	21	N/A	Doubtful	Lifetime ECL - not credit-impaired	**18,000**	**18,000**	19,250	19,250
Loan receivables	25	N/A	Low risk	12m ECL	**3,291**		3,936	
			Loss	Lifetime ECL - credit-impaired	**624**	**3,915**	1,990	5,926
Other receivables and rental deposits	25	N/A	Low risk	12m ECL	**16,404**		11,348	
			Loss	Lifetime ECL - credit-impaired	**22,370**	**38,774**	11,835	23,183
Bank balances and bank deposits with original maturity over three months	26	(Note 1)	N/A	12m ECL	**402,092**	**402,092**	299,011	299,011
Bills receivables	25	(Note 1)	N/A	12m ECL	**26,352**	**26,352**	20,543	20,543

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.

For the year ended 31st December, 2020

41. 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

	2020		2019	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Internal credit rating				
Low risk	**0.519%**	**669,061**	0.517%	570,066

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, 2020, impairment losses under ECL model for trade receivables included HK$3,473,000 (2019: HK$2,951,000) based on the provision matrix and HK$40,134,000 (2019: HK$38,873,000) for credit-impaired debtors respectively.

41. 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, 2019	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
– Transfer to credit-impaired	(18)	18	–
– Impairment losses reversed	(541)	(1,674)	(2,215)
– Write-offs	(26)	(1,298)	(1,324)
Impairment losses recognised	1,011	3,677	4,688
Exchange difference	96	538	634
As at 31st December, 2020	**3,473**	**40,134**	**43,607**

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.

41. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables *(continued)*

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

	31.12.2020 Decrease in lifetime ECL		31.12.2019 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$1,674,000 (2019: HK$141,000)	**–**	**(1,674)**	–	(141)

As at 31st December, 2020, two trade debtors with gross carrying amount of HK$26,892,000, which are fully impaired under ECL model, are assessed as credit-impaired (2019: gross carrying amount of HK$27,679,000 which are fully impaired under ECL model, are assessed as credit-impaired).

Amount due from an associate

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

	Lifetime ECL (not credit-impaired) HK$'000
As at 1st January, 2019 and 31st December, 2019	9,622
Impairment losses reversed	(1,250)
As at 31st December, 2020	**8,372**

41. 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, 2019	13,023
Impairment losses recognised	75
Write-offs	(1,135)
Exchange difference	(128)
As at 31st December, 2019	11,835
Impairment losses recognised	11,146
Write-offs	(943)
Exchange difference	332
As at 31st December, 2020	**22,370**

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, 2019 and 31st December, 2019	1,990
Impairment losses reversed	(16)
Write-offs	(1,350)
As at 31st December, 2020	**624**

(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.

41. 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$728,320,000 and HK$6,369,000 (2019: HK$1,174,119,000 and HK$14,104,000) 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 31.12.2020 HK$'000
2020								
Non-derivative instruments								
Trade and other payables	–	232,248	–	–	–	–	232,248	232,248
Bank borrowings								
– Fixed interest rate	4.41	101,186	35,983	–	–	–	137,169	136,413
– Variable interest rate	1.44	555,353	–	–	–	–	555,353	555,353
Amounts due to non-controlling shareholders	–	3,200	–	–	–	–	3,200	3,200
Lease liabilities	4.73	14,574	43,908	38,412	67,852	183,393	348,139	261,106
		906,561	79,891	38,412	67,852	183,393	1,276,109	1,188,320

	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

41. 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, 2020, the aggregate carrying amounts of these bank borrowings amounted to HK$651,367,000 (2019: HK$737,877,000). 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$654,111,000 (2019: HK$758,332,000).

	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, 2020	**522,998**	**104,347**	**25,509**	**1,257**	**654,111**
31st December, 2019	553,341	130,724	47,049	27,218	758,332

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 recognised in the consolidated statement of financial position

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).

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For the year ended 31st December, 2020

41. FINANCIAL INSTRUMENTS *(continued)*

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

(i) Fair value recognised in the consolidated statement of financial position (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2020	31.12.2019			
Equity instrument at FVTOCI	**Asset – HK$3,718,000**	Asset – HK$4,321,000	Level 1	Quoted bid prices from a trading platform market	N/A
Insurance policy assets	**Asset – HK$13,294,000**	Asset – HK$12,790,000	Level 3	Quoted cash value from insurance contract vendors	Accounts value less surrender charges

There were no transfer between Level 1 and 3 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.

42. 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 HK$'000	Dividend payables HK$'000	Interest payables (included in other payables) HK$'000	Total HK$'000
At 1st January, 2019	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**
Financing cash flows	**(110,473)**	**(2,609)**	**(66,844)**	**(11,488)**	**(20,068)**	**(211,482)**
Cash dividend declared	**–**	**–**	**–**	**11,488**	**–**	**11,488**
Dividend declared to non-controlling shareholders of subsidiaries	**–**	**2,609**	**–**	**–**	**–**	**2,609**
New lease entered/lease modified	**–**	**–**	**35,831**	**–**	**–**	**35,831**
Exchange difference	**10,778**	**–**	**12,032**	**–**	**–**	**22,810**
Interest expenses	**–**	**–**	**12,178**	**–**	**19,658**	**31,836**
At 31st December, 2020	**691,766**	**3,200**	**261,106**	**–**	**312**	**956,384**

43. 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 31.12.2020	31.12.2019	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Rope Holdings Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$18,162,854 Non-voting deferred shares	**100%**	100%	Investment holding
DGSW	Wholly foreign owned enterprise	Mainland China	HK$18,000,000 Registered capital	**100%**	100%	Operating a decoiling centre
Dongguan Widehold Metal Company Limited	Wholly foreign owned enterprise	Mainland China	HK$10,000,000 Registered capital	**100%**	100%	Sales of metal products
Fulwealth*	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

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For the year ended 31st December, 2020

43. 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
				31.12.2020	31.12.2019	
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.

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43. 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	
		31.12.2020	31.12.2019
Investment holding	The British Virgin Islands	**5**	5
Investment holding	Hong Kong	**5**	5
Inactive	Hong Kong	**3**	3
Inactive	Mainland China	**2**	3
Inactive	The British Virgin Islands	**1**	–
Others	Hong Kong	**2**	2
Others	Mainland China	**1**	1
		19	19

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.

	2020	2019
	HK$'000	HK$'000
Profit allocated to non-controlling interests of		
TJ Goldsun Group	**23,967**	16,073
Individually immaterial subsidiaries	**133**	(1,389)
	24,100	14,684

	31.12.2020	31.12.2019
	HK$'000	HK$'000
Accumulated non-controlling interests of		
TJ Goldsun Group	**109,530**	82,270
Individually immaterial subsidiaries	**(20,985)**	(21,118)
	88,545	61,152

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43. 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

	31.12.2020 HK$'000	31.12.2019 HK$'000
Current assets	**432,317**	353,539
Non-current assets	**352,839**	337,120
Current liabilities	**(237,011)**	(235,665)
Non-current liabilities	**(175,312)**	(174,568)
Equity attributable to owners of the TJ Goldsun Group	**263,303**	198,156
Non-controlling interests	**109,530**	82,270

	2020 HK$'000	2019 HK$'000
Revenue	**820,292**	701,505
Expenses	**(739,048)**	(647,020)
Profit attributable to owners of TJ Goldsun Group	**57,277**	38,412
Profit attributable to the non-controlling interests	**23,967**	16,073
Profit for the year	**81,244**	54,485
Other comprehensive income (expense) to owners of TJ Goldsun Group	**14,184**	(4,003)
Other comprehensive income (expense) to the non-controlling interests	**5,902**	(1,675)
Other comprehensive income (expense) for the year	**20,086**	(5,678)
Total comprehensive income for the year attributable to owners of TJ Goldsun Group	**71,461**	34,409
Total comprehensive income for the year attributable to the non-controlling interests	**29,869**	14,398
Total comprehensive income for the year	**101,330**	48,807
Dividend paid to non-controlling interests for the year	**(2,609)**	(2,688)
Net cash inflow from operating activities	**81,400**	75,863
Net cash outflow from investing activities	**(26,007)**	(29,349)
Net cash outflow from financing activities	**(65,822)**	(28,522)
Net cash (outflow) inflow for the year	**(10,429)**	17,992

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

	31.12.2020 HK$'000	31.12.2019 HK$'000
Non-current Assets		
Property, plant and equipment	355	965
Right-of-use assets	8,682	12,109
Investments in subsidiaries	489,486	489,486
Amounts due from subsidiaries	39,252	40,233
Equity instrument at FVTOCI (note 22)	3,718	4,321
Insurance policy assets	9,919	9,485
Rental deposits	1,652	1,280
Deposits paid for acquisition of property, plant and equipment	516	516
	553,580	558,395
Current Assets		
Deposits, prepayment and other receivables	553	1,018
Amounts due from subsidiaries	144,911	158,060
Bank balances and cash	2,965	2,263
	148,429	161,341
Current Liabilities		
Accruals and other payables	3,655	3,707
Amounts due to subsidiaries	125,292	135,273
Lease liabilities	7,353	5,860
Financial guarantee contracts liabilities	6,608	7,438
	142,908	152,278
Net Current Assets	5,521	9,063
	559,101	567,458
Capital and Reserves		
Share capital	57,438	57,438
Reserves	500,137	503,636
Total Equity	557,575	561,074
Non-current liability		
Lease liabilities	1,526	6,384
	559,101	567,458

44. 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, 2019	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
Profit for the year	–	–	–	–	8,592	8,592
Other comprehensive expense for the year						
Fair value loss on an equity instrument at FVTOCI	–	–	–	(603)	–	(603)
Total comprehensive (expense) income for the year	–	–	–	(603)	8,592	7,989
Dividend paid	–	–	–	–	(11,488)	(11,488)
At 31st December, 2020	**57,438**	**323,195**	**65,891**	**3,718**	**107,333**	**557,575**