GOLIK
HOLDINGS LIMITED

2018 ANNUAL REPORT

Incorporated in Bermuda
with limited liability

Stock Code: 1118

2018 ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6505, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

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

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS CONSULTANT

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

WEBSITE

www.golik.com

STOCK CODE

1118

Financial Summary

RESULTS

	For the year ended 31st December,				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Revenue	3,201,314	2,524,502	2,160,454	2,742,207	**3,087,200**
Profit (loss) before taxation	141,750	124,809	110,681	69,168	**(78,195)**
Income taxes	(21,004)	(23,361)	(25,528)	(20,279)	**(1,826)**
Profit (loss) for the year	120,746	101,448	85,153	48,889	**(80,021)**
Profit (loss) attributable to:					
Shareholders of the Company	107,436	92,740	72,670	42,432	**(84,782)**
Non-controlling interests	13,310	8,708	12,483	6,457	**4,761**
	120,746	101,448	85,153	48,889	**(80,021)**

ASSETS AND LIABILITIES

	At 31st December,				
	2014 HK$'000	2015 HK$'000	2016 HK$'000	2017 HK$'000	**2018** **HK$'000**
Total assets	2,127,386	1,701,671	1,910,482	2,367,938	**2,206,830**
Total liabilities	(1,137,767)	(669,924)	(852,662)	(1,250,625)	**(1,221,081)**
Net assets	989,619	1,031,747	1,057,820	1,117,313	**985,749**
Equity attributable to shareholders of the Company	948,522	997,938	1,023,516	1,065,125	**934,918**
Non-controlling interests	41,097	33,809	34,304	52,188	**50,831**
Total equity	989,619	1,031,747	1,057,820	1,117,313	**985,749**

Business Profile

Metal Products

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

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

Steel Coil Processing Centre in Dongguan, Guangdong, Mainland China

Building Construction Materials

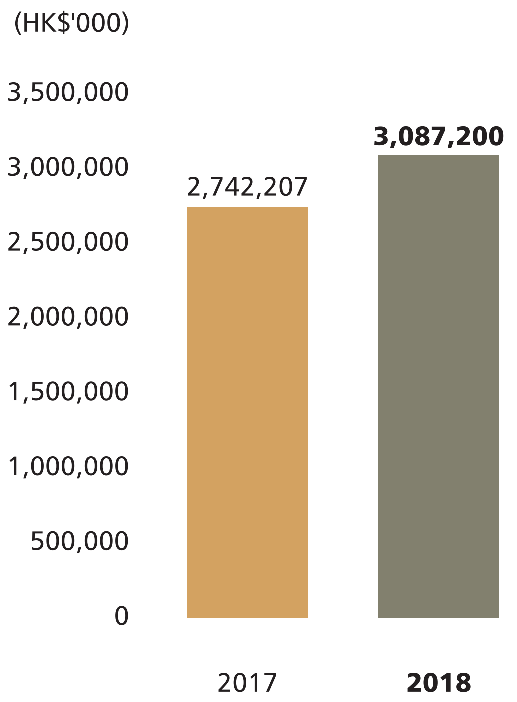
Steel Distribution

Supply of Ready Mixed Concrete

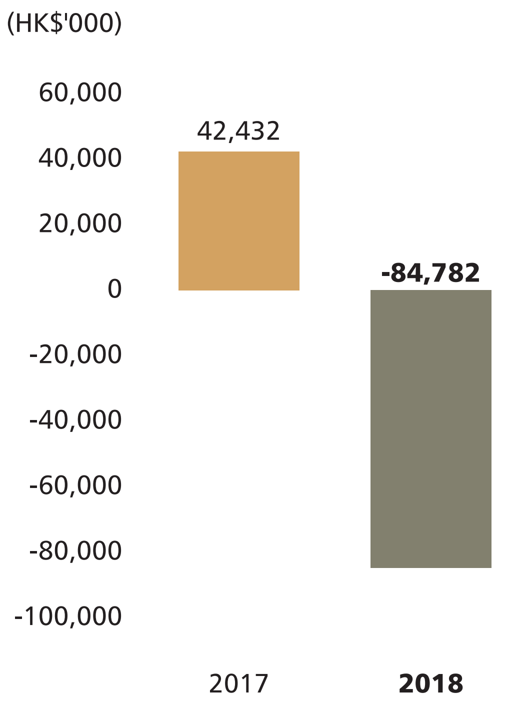
Automated Cut-and-bend Rebars Processing Plant in Tai Po, Hong Kong

Financial Highlights

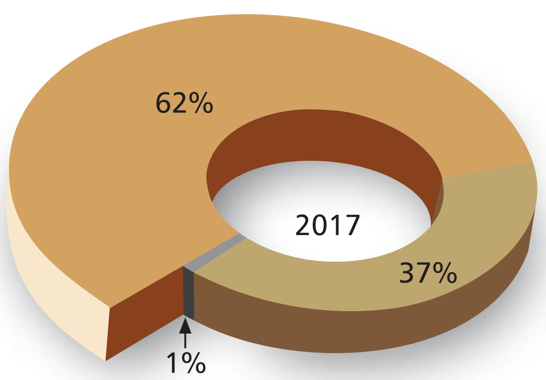
Revenue for the years ended 31st December, 2017 and 2018

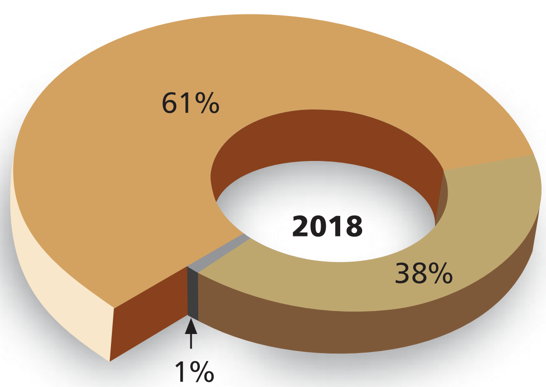


Profit (Loss) attributable to shareholders of the Company for the years ended 31st December, 2017 and 2018



Revenue by operating segments for the years ended 31st December, 2017 and 2018





Metal products   Building construction materials   Other operations

Chairman's Statement

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, 2018, the Group's total revenue was HK$3,087,200,000, representing an increase of approximately 13% compared to last year. The increase of revenue was mainly attributable to the price hikes of steel during the year, which spurred the rise in the unit selling price of steel products.

After the deduction of profit attributable to non-controlling interests, loss attributable to the Company amounted to HK$84,782,000. The loss was registered mainly as a result of the unfavourable environment of the Hong Kong construction industry during the year, and the building construction materials business was exposed to less-seen pressure and challenges in recent years. Loss was resulted and the performance for the year is disappointing.

The Board of Directors has recommended a final dividend of HK2 cents per share. Together with the paid interim dividend of HK1 cent per share, total dividends for the year will amount to HK3 cents per share.

Metal Products

The business comprises mainly of steel coil processing, steel wires, and steel wire rope products. Revenue for the year was HK$1,186,369,000, an increase of approximately 17% compared to last year. Profit before interest and taxation was HK$48,321,000, a decrease of approximately 32% compared to last year.

During the year, our metal products business remained stable, with both production volume and sales volume of steel wire rope products hitting an all-time high. Nonetheless, the surging of costs of raw materials for steel and environmental costs during the year could not be timely passed onto customers and therefore the profit margin decreased and made an impact on the profit performance.

It is expected that following the success operation of the new projects, the business development of the Group will start a new page, towards an extended and more sustainable development.

Pang Tak Chung
Chairman

BUSINESS REVIEW *(continued)*

Metal Products *(continued)*

Our elevator wire rope products have maintained domestically a leading position in the industry. Currently, the share of the Chinese elevator market has gradually been channeling to elevator companies of leading brand. In the recent years, the effort of the Group to focus on enhancing the cooperation with elevator companies of leading brand has paid off. Benefitted from the growing share of elevator companies of leading brand in the elevator market, the management is confident that, after attained the record high in the production volume of elevator wire last year, further growth will be achieved in next year and the outlook is promising.

The development of high-end lifting wire rope is one of the Group's top priorities in the year. Currently, production techniques for most of the high-end wire rope products have been harnessed. Products have also been marketed and favourable response was received. Through the effort of the team, the ordering results are encouraging. It is anticipated that the high-end lifting wire rope will generate contribution in the second half of Year 2019.

Building Construction Materials

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

Revenue for the year was HK$1,872,798,000, an increase of approximately 11% compared to last year. The increase of revenue was mainly attributable to the increase in the price of construction steel products. Loss before interest and taxation was HK$75,470,000.

As a result of the lengthy debates in the Legislative Council over the public works expenditure funding in the past few years, the construction industry of Hong Kong has been exposed to a scenario of public works funding being kept putting off, sending the number of construction projects with funding approved way lower than expected, which resulted in a significant decrease of construction works. Particularly at the beginning of 2018, the construction industry of Hong Kong was under an extremely severe condition. Being one of the leading construction materials suppliers of Hong Kong, the Group has been exposed to significant challenges and pressure. During the year, the performance of the building construction materials business is disappointing and loss was recorded for the first time in years.

Although the automated cut-and-bend rebars processing has failed to generate any contribution in the year, with the significant support from the Hong Kong government, including the establishment of "Construction Innovation and Technology Fund", the provision of supportive subsidies and supportive measures such as the policy-specific adoption of automated cut-and-bend rebars processing in some public works, it has received the attention of the construction industry. The Group is confident that the business will generate contribution in the foreseeable future and create new value-added elements for the building construction materials business of the Group.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2018, the total bank balances and cash of the Group amounted to HK$363,567,000 (31st December, 2017: HK$383,167,000). As at 31st December, 2018, current ratio (current assets to current liabilities) for the Group was 1.37:1 (31st December, 2017: 1.46:1).

As at 31st December, 2018, the total borrowings of the Group amounted to HK$1,024,098,000 (31st December, 2017: HK$848,935,000).

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

CAPITAL STRUCTURE

During the year, there was no material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 31st December, 2018 was 561,922,500 (31st December, 2017: 561,922,500). As at 31st December, 2018, the equity attributable to the shareholders of the Company amounted to HK$934,918,000 (31st December, 2017: HK$1,065,125,000).

As at 31st December, 2018, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.67:1 (31st December, 2017: 0.42:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2018, the total number of staff of the Group was 1,525. 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

Although the businesses of the Group were exposed to unprecedented challenges in the past year, it is the belief of the management that the most difficult times have gradually lapsed. As it is probable that the Legislative Council will halt the effect of the "Filibustering" by legislative councilors in the past, the funding for various public works will be expedited. The construction industry of Hong Kong is expected to recover in the second half of Year 2019, and pave its way gradually towards another golden era. The Financial Secretary has forecasted that in the next few years, the annual construction expenditure from public and private sectors of Hong Kong will reach an amount of approximately 300 billion dollar. Being one of the largest construction materials suppliers, the Group will be definitely benefited.

The high-end lifting wire rope in Tianjin and the automated cut-and-bend rebars processing in Hong Kong are the two major projects developed by the Group in recent years with significant resources devoted. In the past two years, the various preliminary development expenses for new projects have imposed some pressure on the performance of the Group. As the projects have gradually started to serve the market this year, these two major projects will generate new contribution to the Group. It is expected that following the success operation of the new projects, the business development of the Group will start a new page, towards an extended and more sustainable development.

The Group is confident on the future development. Focusing on high-end and establishing its position as a leader in the industry have always been the goal pursued by the Group. We are confident that our goal can be achieved through relentless effort.

Chairman's Statement

ACKNOWLEDGEMENT

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

Pang Tak Chung
Chairman

Hong Kong, 26th March, 2019

Biography of Directors and Senior Management

- **Mr. Pang Tak Chung**, aged 70, 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 43 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. He also has extensive experience in international trading practices. Furthermore, Mr. Pang is the honorary citizen of both Jiangmen and Heshan, Guangdong Province. Mr. Pang is the father of Ms. Pang Wan Ping, Executive Director of the Company.

- **Mr. Ho Wai Yu, Sammy**, aged 63, is the Vice Chairman and Company Secretary of the Company and finance director of the Group responsible for finance, accounting, information technology development, legal and corporate matters of the Group. Mr. Ho is a Fellow Member of Association of Chartered Certified Accountants, an Associate Member of Hong Kong Institute of Certified Public Accountants, a Full Member of Chartered Management Institute in the United Kingdom, a Full Member of Hong Kong Computer Society, an Ordinary Member of Hong Kong Securities and Investment Institute and a founder and permanent honorable president of IT Accountants Association. He has over 38 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

- **Ms. Pang Wan Ping**, aged 41, has been appointed as Executive Director of the Company and project director of the Group since 2013. She is responsible for coordinating various activities of the Group's existing operations, identify new project and its development. Ms. Pang is a director of Golik Investments Ltd., a substantial shareholder of the Company. Ms. Pang holds a Bachelor of Architecture Degree, a Master Degree of Commerce majoring in Finance, and a Master Degree of Legal Studies, graduated all from The University of New South Wales, Australia. She is a Registered Architect with the New South Wales Architects Registration Board in Australia, a Member of the Australian Institute of Architects, a Chartered Member of the Royal Institute of British Architects and an Associate Member of the Hong Kong Institute of Architects. Ms. Pang joined the Company in 2009 and has over 16 years of experience in property development and construction industry. Prior to the Group, she worked at Goodman as a Registered Architect in the property development division. Furthermore, Ms. Pang is a member of the Chinese People's Political Consultative Conference Tianjin Municipal Committee. Ms. Pang is the daughter of Mr. Pang Tak Chung, the Chairman and Managing Director of the Company.

- **Mr. Lau Ngai Fai**, aged 61, has been appointed as Executive Director of the Company in 2015. He is responsible for running major operations, marketing strategy planning and overall management of building construction materials segment of the Group. Mr. Lau holds a Bachelor Degree in Civil Engineering with Honors from University of London, England. He had worked for managerial position in various organizations, including Hong Kong Government Public Works Departments and Ho Tin and Associates Consulting Engineers Limited; since 2006, he has served as a director in Black & Veatch Hong Kong Limited and subsequently became an associate vice-president in 2011. Mr. Lau is a Fellow Member of The Hong Kong Institution of Engineers and a director of Hong Kong Construction Materials Association. With over 34 years involved in the construction field, Mr. Lau has gained extensive industrial knowledge and management experience both from local and international organization, he specializes in civil engineering, infrastructure, site formation, sewerage works, drainage works, traffic engineering and project management.

- **Mr. Yu Kwok Kan, Stephen**, aged 63, has been appointed as an Independent Non-executive Director of the Company since 1997 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Yu is the Certified Practising Accountant and senior consultant of VL Tax & Accounting Pty Ltd in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 38 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Biography of Directors and Senior Management

- **Mr. Chan Yat Yan**, aged 63, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. He holds MBA from the University of Macau. Mr. Chan is the general manager of Modern Marketing Ltd. He has held senior management positions in corporate management, marketing and corporate communication and achieved many accomplishments with various multi-national corporations and leading Fortune 500 companies in the PRC for many years, including BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He also has extensive knowledge and experience in the PRC market.

- **Mr. Lo Yip Tong**, aged 61, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Lo is the principal of Y.T. Lo & Co Limited, Certified Public Accountants, Hong Kong and has over 33 years of experience in statistical, accounting, auditing and financial restructuring work. He is a Member of Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Company has complied with code provisions as set out in the CG Code for the year ended 31st December, 2018 except the followings:

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

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

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, 2018.

Corporate Governance Report

THE BOARD

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

Executive Directors

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

Independent Non-executive Directors

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

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

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company Secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the Directors.

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

Name	Attending seminar(s) or programme(s)/ reading relevant materials
Executive Directors	
Mr. Pang Tak Chung	✓
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	✓

Corporate Governance Report

TERMS OF NON-EXECUTIVE DIRECTORS

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

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

The service contracts of all Non-executive Directors have been renewed on 28th February, 2018 and the services period be changed from a term of three years to an annual renewable basis.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

COMPANY SECRETARY

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

BOARD MEETINGS

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

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

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

Corporate Governance Report

BOARD DIVERSITY

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

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

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on objective criteria, having due regard to the benefits of diversity on the Board under the Board Diversity Policy.

NOMINATION POLICY

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

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

AUDIT COMMITTEE

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

AUDIT COMMITTEE *(continued)*

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting during the year and discussed and reviewed the remuneration package of executive directors and the remuneration policy for executive directors for the year ended 31st December, 2018.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2018

	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	4/4	N/A	N/A	1/1
Mr. Ho Wai Yu, Sammy	4/4	N/A	N/A	1/1
Ms. Pang Wan Ping	4/4	N/A	N/A	1/1
Mr. Lau Ngai Fai	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1	1/1
Mr. Lo Yip Tong	4/4	4/4	1/1	1/1

DIVIDEND POLICY

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

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

An effective risk management is important to achieve the Group's strategic goals. During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG Code. The Board is the highest decision-making authority on the Company's risk control measures. The Board has undertaken the overall responsibility for maintaining sound and effective internal control and risk management systems to provide sufficient guidelines for management and employees to work efficiently. The systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

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

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

Economic and market conditions

The industries in which the Group operates are affected by the economic and market conditions of the various places where the operations are located. Slowdown of the Mainland economy and volatility in commodity prices continue to pose risks to the recovery and stability of the global economy. Performance of the Group's Building Construction Materials business is resulted from operating environment in the overall construction industry of Hong Kong during the year. Risk arising from adverse movements in market factors such as interest rates, foreign exchange, equity prices, and commodities prices, would result in profit or loss for the Group.

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

Materials and parts procurement

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

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

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Intellectual property

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

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

Impact of local, national and international regulations

Local business risks in the Mainland and Hong Kong in which the Group operates could have a material impact on the financial condition, results of operations and growth prospects of the businesses in the relevant market. The Group has investments in the Mainland and Hong Kong and the Group is, and may increasingly become, exposed to different and changing political, social, legal and regulatory requirements at the local, national or international level. Also, new policies or measures by governments, whether fiscal, regulatory or other competitive changes, may pose a risk to the overall investment return of the Group's businesses and may delay or prevent the commercial operation of a business with resulting loss of revenues and profit.

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

Impact of new accounting standards

Hong Kong Institute of Certified Public Accountants ("HKICPA") had issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") which were generally effective in these few years.

HKICPA may in the future issue new and revised standards and interpretations. In addition, interpretations on the application of the HKFRSs will continue to develop. The Group is required to adopt new accounting policies. The adoption of new accounting policies or new HKFRSs will have a significant impact on the Group's financial position or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

Handling and dissemination of inside information

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

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

For the year ended 31 December 2018, 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, 2018, the fees paid/payable to the principal auditor of the Company, Deloitte Touche Tohmatsu ("Deloitte"), in respect of audit and non-audit services provided by Deloitte were as follows:

Nature of services	**Amount** HK$'000
Review fee for 2018 interim results	450
Audit fee for 2018 final results	2,633
Audit service fee for Occupational Retirement Schemes	8
Audit service fee for continuing connected transactions	32
Total fees	3,123

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

The procedures for sending enquiries to the Board

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

Corporate Social Responsibility Report

SUSTAINABILITY

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

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

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

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

Contributing to the Community

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

In Financial Year 2018, we once again sponsored HK$500,000 to the North District Soccer Recreation Club Limited as Gold Sponsor for their soccer team and named it as "North District Golik". We continued to believe young athletes is our future and that they played a vital role in the future of Hong Kong – bringing positive energy and spirit to our younger generations.

North District Golik soccer team

Corporate Social Responsibility Report

SUSTAINABILITY *(continued)*

Sustainable Operating Practices

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

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

The Group complies fully with the local laws, the international guidelines and industry standards applicable with its activity sectors in relation with the design and production of its products and the methods it employs for their promotion and marketing. The Group also places particular emphasis on the quality of its materials, products and applies innovative production processes that improve the quality, safety and environmental impacts of each product. We strive to apply the strict application of the procedures under the EN ISO 9001 Quality Management System in some of our core operations. Our commitment on innovative approach in manufacturing our products defines the level of the quality offered to our customers. In addition, the company has obtained the ISO 9001:2015 Quality Certificate for its products under our Building Construction Materials sector.

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

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

Workplace Environment

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

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

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

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

SUSTAINABILITY *(continued)*

Workplace Environment *(continued)*

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

Environmental Protection

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

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

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

For the Financial Year 2018, we collected and measured the environmental figures from 3 plants located in Hong Kong under Building Construction Materials sector. The findings are summed up in following paragraphs and also in the company performance and data table.

The emissions generated by selected plants are carbon emissions and these are distinguished into direct (Scope 1) and indirect (Scope 2) carbon emissions. The total direct and indirect carbon emissions for the Financial Year 2018 was 2,882 tonnes of CO_2e, which decreased by 17.5% compared to Year 2017. The total direct and indirect carbon emissions (Scope 1 & 2) per production volume was 0.0115 tonne of CO_2e, while Year 2017 was 0.0086 tonne of CO_2e. Other emissions figures are: nitrogen oxides (NOx) emission was 4.63 tonnes, which decreased by 10% compared to Year 2017. Sulfur oxides (SOx) emission was 11.34kgs, decreased by 12.8% compared to previous year and particulate matter (PM) emission was 333.23 kgs, which decreased by 10% compared to Year 2017.

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

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

Corporate Social Responsibility Report

SUSTAINABILITY *(continued)*

Environmental Protection *(continued)*

For Financial Year 2018, the total quantity of chemical waste was 1.8 tonnes, which is 0.0054 tonne per production volume. There was a slight increase of 12.5% of total quantity of chemical waste compared to Year 2017. The total quantity of non-hazardous waste produced was 10,465 tonnes which is 0.033 tonne per production volume. Where feasible, the materials to be recycled are utilised inside the plants of the Group's subsidiaries. Where waste cannot be recycled or utilised internally, this is done through collective waste management systems or licensed waste contractors.

Electricity and water supply to the Group is mainly purchased from the government. For Financial Year 2018, the total electricity consumption for the selected plants was 886,065 kWh, decreased by 34.6% compared to Year 2017. The electricity consumption was 3.54 kWh per production volume, increased slightly by 1% compared to Year 2017. The total water consumption was 64,519 cubic meter, which is 0.26 cubic meter per production volume. The water consumption also decreased by 35.4% but the consumption per production volume has increased slightly by 1% for the Year 2017. The Group approach is continue to implement effective energy allocation and utilisation, reducing energy and resources wastages. Furthermore, we continue to conduct periodic energy audit for our plants in order for us to formulate and adopt measures on energy conservation and emission reduction so we can consume the energy in a more efficient and effective manners.

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

Logistically, we continue to keep track of the average loading capacity of each truck and make sure each loading volume maintain at least 80% of capacity in order to reduce any environmental impacts. Additionally, our ready mixed trucks are all EURO 5 trucks as they intended to reduce energy consumption and thus the carbon emissions.

Company Performance and Data Table

Item	HKEx Indicator	Year 2018	Year 2017
Emissions data			
Nitrogen oxides (NOx) emission (tonnes)	A1.1	4.63	5.14
Sulfur oxides (SOx) emission (kgs)	A1.1	11.34	13.00
Particulate matter (PM) emission (kgs)	A1.1	333.23	369.90
Carbon emissions			
Total direct and indirect carbon emissions (tonnes of CO_2e)	A1.2	2,882	3,494
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonnes of CO_2e)	A1.2	0.0115	0.0086
Hazardous waste			
Chemical waste produced (tonnes)	A1.3	1.8	1.6
Total hazardous waste produced per production volume (tonnes)	A1.3	0.0054	0.0030
Non-hazardous waste			
Solid waste produced (tonnes)	A1.4	10,465	14,000
Total non-hazardous waste produced per production volume (tonnes)	A1.4	0.033	0.035
Resources consumption			
Electricity consumption (kWh)	A2.1	886,065	1,354,929
Electricity consumption per production volume (kWh)	A2.1	3.54	3.35
Water consumption (m^3)	A2.2	64,519	99,857
Water consumption per production volume (m^3)	A2.2	0.26	0.25

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2018.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, a joint venture and an associate are set out in notes 45, 20 and 21 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39.

An interim dividend of HK1 cent per share, amounting to HK$5,619,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK2 cents per share to the shareholders whose names appear on the register of members of the Company on 18th June, 2019, amounting to HK$11,238,000. The proposed final dividend will be paid to the shareholders in cash, with an option to receive new and fully paid shares in lieu of cash under a scrip dividend scheme.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of HK$44,825,000. In addition, property, plant and equipment with carrying values of HK$1,275,000 were disposed of during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share option scheme of the Company are set out in notes 34 and 35 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2018 were as follows:

	31.12.2018 HK$'000	31.12.2017 HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**107,952**	69,148
	173,843	135,039

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Directors' Report

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

For the year ended 31st December, 2018, the Company's non-executive directors were appointed for a specific term. All directors (including independent non-executive directors) are also subject to retirement by rotation in accordance with the Company's Bye-laws.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(1) Long position

Shares of the Company

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

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

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(1) Long position *(continued)*

Share options

No share option was outstanding as at 1st January, 2018 and 31st December, 2018. As at the date of this annual report, the total number of share options available for issue under the share option scheme was 56,192,250, representing 10% of the issued share capital of the Company. Particulars of the share option scheme of the Company are set out in note 35 to the consolidated financial statements.

(2) Shares in subsidiaries

As at 31st December, 2018, Mr. Pang Tak Chung had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 31st December, 2018, none of the directors and chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the year, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2018, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

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

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 31st December, 2018, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 50% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 24% of the Group's total purchases for the year.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 35 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to HK$559,000.

CORPORATE SOCIAL RESPONSIBILITY

Details of Corporate Social Responsibility Report of the Group are set out on pages 22 to 25 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to respective circulars dated 20th January, 2011 and 6th September, 2013 and announcements dated 24th June, 2016, 30th June, 2016, 20th July, 2016 and 21 December, 2018. Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun"), a subsidiary of the Company, entered into the following agreements with Tianjin Metallurgy Group Flourish Steel Industrial Co., Ltd. ("Flourish Steel").

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

(a) The Property Lease Agreements

On 30th December, 2010, TJ Goldsun entered into the Previous Property Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to lease the Existing Properties to TJ Goldsun for a term of 20 years commencing from 1st January, 2011 to 31st December, 2030. The annual caps for the transaction under the Previous Property Lease Agreement had been renewed and approved for the three years ending 31st December, 2021.

On 24th June, 2016, TJ Goldsun entered into the New Property Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to (i) lease the Additional Properties to TJ Goldsun for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036; and (ii) extend the term of the lease of the Existing Properties under the Previous Property Lease Agreement to 30th June, 2036. The annual caps for the transaction under the New Property Lease Agreement had been renewed and approved for three years ending 31st December, 2021.

The respective total rental and utilities expenses under the Property Lease Agreements paid or payable by TJ Goldsun for the year ended 31st December, 2018 which did not exceed the following respective annual caps:

	Amount paid or payable by TJ Goldsun RMB	**Annual caps amount** RMB
Rental expenses for the Existing Properties under the Previous Property Lease Agreement	5,500,000	6,050,000
Rental expenses for the Additional Properties under the New Property Lease Agreement	5,703,125	5,703,125
Utilities expenses	39,811,770	73,500,000

(b) The Processing Agreements

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

On 24th June, 2016, TJ Goldsun entered into the New Processing Agreement with Flourish Steel to reduce the scope of processing services of steel wires to be provided by Flourish Steel for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the New Processing Agreement had been renewed and approved for three years ending 31st December, 2021.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

(b) The Processing Agreements *(continued)*

The respective processing charges under the New Processing Agreement paid or payable by TJ Goldsun for the year ended 31st December, 2018 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun RMB	Annual cap amount RMB
Processing charges under the New Processing Agreement	5,421,027	7,500,000

(c) The Equipment Lease Agreements

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

On 24th June, 2016, TJ Goldsun entered into the New Equipment Lease Agreement with Flourish Steel to reduce the number of equipment leased to Flourish Steel for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the New Equipment Lease Agreement had been renewed and approved for three years ending 31st December, 2021.

The respective rental income received or receivable by TJ Goldsun under the New Equipment Lease Agreement for the year ended 31st December, 2018 which did not exceed the following annual cap:

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

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

On 24th June, 2016, TJ Goldsun entered into the Steel Wire and Steel Wire Rope Equipment Lease Agreement with Flourish Steel, pursuant to which Flourish Steel agreed to lease the equipment for production stage 2 and production of high-end steel wire rope products located and installed in the Additional Properties to TJ Goldsun for a term of 20 years commencing from 1st July, 2016 to 30th June, 2036. The annual cap for the transaction under the Steel Wire and Steel Wire Rope Equipment Lease Agreement had been renewed and approved for three years ending 31st December, 2021.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

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

The rental expenses under the Steel Wire and Steel Wire Rope Equipment Lease Agreement paid or payable by TJ Goldsun for the year ended 31st December, 2018 which did not exceed the following annual cap:

	Amount paid or payable by TJ Goldsun RMB	**Annual cap amount** RMB
Rental expenses	3,868,079	4,030,452

All Independent Non-executive Directors of the Company had reviewed and confirmed that the above transactions for the year ended 31st December, 2018 were entered into:

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

The Company's auditor was engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Company as above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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

AUDITOR

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

On behalf of the Board

Pang Tak Chung
Chairman

Hong Kong, 26th March, 2019

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Golik Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 134, which comprise the consolidated statement of financial position as at 31st December, 2018, 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, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") of trade receivables	
We identified the estimated provision of ECL of trade receivables as a key audit matter due to the significant management judgement and estimates involved in assessing the recoverability of trade receivables. As disclosed in note 4 to the consolidated financial statements, in determining the ECL of trade receivables, management assesses individually for each significant trade debtors and collectively for others by using provision matrix of which groupings of various trade receivables that have similar loss patterns as reflected in the debtors' ageing categories. For each significant trade debtors, the management measures the ECL with reference to proprietary database of ratings and defaults rates quoted from an international credit rating agency ("Parameters") advised by independent qualified professional valuer. The provision matrix for groupings of remaining trade debtors is based on debtors' historical payment pattern and ageing categories taking into consideration of quantitative, qualitative and forward-looking information that is reasonable and supportable available. As at 31st December, 2018, the carrying amount of trade receivables was HK$580,881,000 (net of allowance for credit losses of HK$24,963,000).	Our procedures in relation to assessing the appropriateness of the allowance for doubtful debt included: • Obtaining an understanding of methodologies and assumptions made in assessing the estimated ECL for trade receivables and evaluating accuracy of Parameters adopted and reasonableness of quantitative, qualitative and forward-looking information incorporated by discussing with the management and independent qualified professional valuer; • Discussing with management to obtain understanding of management's assessment of significant debtors and assessing the reasonableness of the factors considered in ratings and default rates; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Evaluating debtor's historical payment pattern by examining ageing status; • Testing, on a sample basis, ageing categories of receivables by tracing to invoices; and • Testing the integrity and arithmetic accuracy of the assessment made by management.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories	
We identified the write-down of inventories as a key audit matter due to significant management judgement and estimates involved in the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories by the management. As set out in note 4 to the consolidated financial statements, the management estimates the net realisable values for steel products primarily based on the market condition and the latest selling prices of steel products. Moreover, the management reviews the usability and saleability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages/sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. As at 31st December, 2018, the carrying amount of inventories was HK$617,773,000 (net of the write-down of inventories of HK$34,465,000).	Our procedures in relation to assessing the appropriateness of the write-down of inventories included: • Understanding the Group's key controls in relation to the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories; • Tracing the ageing categories, and the usages/sales of inventories during the year and subsequent to the end of the reporting period, to the invoices, production reports and delivery notes, on a sample basis; • Testing the net realisable values of inventories by reference to latest invoice prices in subsequent sales or the market prices, on a sample basis; • Discussing with the management for the assumptions and judgement made in assessing net realisable values and evaluating the reasonableness of the management's assessment of usability and saleability of inventories with reference to historical record, quality and nature of the inventories; and • Assessing the historical accuracy of write-down of inventories to evaluate the appropriateness of the basis made by the management in the current year.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Luk Kam Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26th March, 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	**3,087,200**	2,742,207
Cost of sales		**(2,842,229)**	(2,379,761)
Gross profit		**244,971**	362,446
Other income	6	**13,630**	22,082
Interest income		**1,819**	2,352
Selling and distribution costs		**(100,099)**	(108,442)
Administrative expenses		**(175,877)**	(187,933)
Reversal of impairment losses, net	7	**3,149**	20,345
Other gains and losses	8	**(6,484)**	8,092
Other expenses		**(32,610)**	(28,123)
Finance costs	9	**(26,664)**	(16,408)
Share of result of a joint venture		**(84)**	41
Share of result of an associate		**54**	(5,284)
(Loss) profit before taxation		**(78,195)**	69,168
Income taxes	10	**(1,826)**	(20,279)
(Loss) profit for the year	11	**(80,021)**	48,889
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		**(21,481)**	28,135
– Fair value gain on a debt instrument at fair value through other comprehensive income ("FVTOCI")		**20**	–
– Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI		**19**	–
– Release from exchange reserve upon deregistration of a subsidiary		**–**	(908)
– Net fair value gain on available-for-sale investments		**–**	750
Item that will not be reclassified to profit or loss:			
Fair value loss on an equity instrument at FVTOCI		**(881)**	–
Other comprehensive (expense) income for the year		**(22,323)**	27,977
Total comprehensive (expense) income for the year		**(102,344)**	76,866
(Loss) profit attributable to:			
Shareholders of the Company		**(84,782)**	42,432
Non-controlling interests		**4,761**	6,457
		(80,021)	48,889
Total comprehensive (expense) income attributable to:			
Shareholders of the Company		**(103,744)**	65,792
Non-controlling interests		**1,400**	11,074
		(102,344)	76,866
		HK cents	HK cents
Basic (loss) earnings per share	15	**(15.09)**	7.55

Consolidated Statement of Financial Position

At 31st December, 2018

	NOTES	31.12.2018 HK$'000	31.12.2017 HK$'000
Non-current Assets			
Investment properties	17	**4,130**	3,980
Property, plant and equipment	18	**500,771**	503,205
Prepaid lease payments	19	**12,643**	13,647
Interest in a joint venture	20	**3,995**	4,079
Amount due from a joint venture	20	**1,153**	5,068
Interest in an associate	21	**–**	–
Amount due from an associate	21	**9,622**	9,568
Available-for-sale investment	22	**–**	4,173
Equity instrument at FVTOCI	23	**3,292**	–
Insurance policy assets	24	**12,295**	11,775
Rental and other deposits	26	**10,174**	10,361
Deposits paid for acquisition of property, plant and equipment		**1,330**	3,876
Loan receivables	26	**3,936**	4,647
Time deposits	27	**2,282**	2,393
		565,623	576,772
Current Assets			
Inventories	25	**617,773**	595,609
Trade, bills, loan and other receivables	26	**654,416**	805,635
Prepaid lease payments	19	**451**	469
Income tax recoverable		**5,000**	1,261
Available-for-sale investment	22	**–**	5,025
Bank balances and cash	27	**363,567**	383,167
		1,641,207	1,791,166
Current Liabilities			
Trade and other payables	28	**159,806**	363,260
Contract liabilities	29	**7,037**	–
Amounts due to non-controlling shareholders	30	**3,200**	3,200
Income tax payable		**4,495**	9,855
Bank borrowings	31	**1,023,671**	847,939
Obligations under finance leases	32	**367**	569
		1,198,576	1,224,823
Net Current Assets		**442,631**	566,343
		1,008,254	1,143,115

Consolidated Statement of Financial Position

At 31st December, 2018

	NOTES	31.12.2018 HK$'000	31.12.2017 HK$'000
Capital and Reserves			
Share capital	34	**56,192**	56,192
Share premium and reserves		**878,726**	1,008,933
Equity attributable to shareholders of the Company		**934,918**	1,065,125
Non-controlling interests		**50,831**	52,188
Total Equity		**985,749**	1,117,313
Non-current Liabilities			
Deferred tax liabilities	36	**22,445**	25,375
Obligations under finance leases	32	**60**	427
		22,505	25,802
		1,008,254	1,143,115

The consolidated financial statements on pages 39 to 134 were approved and authorised for issue by the Board of Directors on 26th March, 2019 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2018

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	Investment revaluation/ FVTOCI reserve HK$'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, 2017	56,192	316,466	8,893	24,424	635	3,384	(8,948)	622,470	1,023,516	34,304	1,057,820
Profit for the year	–	–	–	–	–	–	–	42,432	42,432	6,457	48,889
Other comprehensive income (expense) for the year											
Exchange difference arising on translation of foreign operations	–	–	23,518	–	–	–	–	–	23,518	4,617	28,135
Release from exchange reserve upon deregistration of a subsidiary	–	–	(908)	–	–	–	–	–	(908)	–	(908)
Net fair value gain on available-for-sale investments	–	–	–	–	–	750	–	–	750	–	750
Total comprehensive income for the year	–	–	22,610	–	–	750	–	42,432	65,792	11,074	76,866
Acquisition of additional interest in a subsidiary (Note c)	–	–	(879)	–	–	–	(12,238)	14,221	1,104	11,370	12,474
Dividends paid to the shareholders of the Company (note 14)	–	–	–	–	–	–	–	(25,287)	(25,287)	–	(25,287)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,560)	(4,560)
Transfer between reserves	–	–	–	2,244	–	–	–	(2,244)	–	–	–
At 31st December, 2017	56,192	316,466	30,624	26,668	635	4,134	(21,186)	651,592	1,065,125	52,188	1,117,313
Adjustments (note 2)	–	–	–	–	–	–	–	(3,986)	(3,986)	–	(3,986)
At 1st January, 2018	56,192	316,466	30,624	26,668	635	4,134	(21,186)	647,606	1,061,139	52,188	1,113,327
(Loss) profit for the year	–	–	–	–	–	–	–	(84,782)	(84,782)	4,761	(80,021)
Other comprehensive (expense) income for the year											
Exchange difference arising on translation of foreign operations	–	–	(18,120)	–	–	–	–	–	(18,120)	(3,361)	(21,481)
Fair value loss on an equity instrument at FVTOCI	–	–	–	–	–	(881)	–	–	(881)	–	(881)
Fair value gain on a debt instrument at FVTOCI	–	–	–	–	–	20	–	–	20	–	20
Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI	–	–	–	–	–	19	–	–	19	–	19
Total comprehensive (expense) income for the year	–	–	(18,120)	–	–	(842)	–	(84,782)	(103,744)	1,400	(102,344)
Dividends paid to the shareholders of the Company (note 14)	–	–	–	–	–	–	–	(22,477)	(22,477)	–	(22,477)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,757)	(2,757)
Transfer between reserves	–	–	–	2,740	–	–	–	(2,740)	–	–	–
At 31st December, 2018	**56,192**	**316,466**	**12,504**	**29,408**	**635**	**3,292**	**(21,186)**	**537,607**	**934,918**	**50,831**	**985,749**

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2018

Notes:

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

(b) Other reserve represented:

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

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

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

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

(c) Amounts represented transfers from non-controlling interests to relevant reserves attributable to the shareholders of the Company and adjustments arising from acquisition of additional interest in a subsidiary upon the exercise of a put option by non-controlling shareholders recognised in other reserve (note 33).

Consolidated Statement of Cash Flows

For the year ended 31st December, 2018

	2018	2017
	HK$'000	HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(78,195)**	69,168
Adjustments for:		
Fair value gain on investment properties	**(150)**	(70)
Loss on redemption of a debt instrument at FVTOCI	**19**	–
Reversal of impairment losses, net	**(3,149)**	(20,345)
Loss on deregistration of a subsidiary	**–**	106
Loss (gain) on disposal of property, plant and equipment	**711**	(5,195)
Amortisation of prepaid lease payments	**460**	456
Write-down (reversal of write-down) of inventories, net	**1,684**	(4,800)
Depreciation	**37,972**	37,384
Interest income	**(1,819)**	(2,352)
Finance costs	**26,664**	16,408
Share of result of a joint venture	**84**	(41)
Share of result of an associate	**(54)**	5,284
Operating cash flows before movements in working capital	**(15,773)**	96,003
Increase in inventories	**(31,256)**	(350,826)
Decrease (increase) in trade, bills and other receivables	**136,850**	(161,114)
Increase in insurance policy assets	**(520)**	(562)
Decrease in amount due from an associate	**–**	253
(Decrease) increase in trade and other payables	**(188,131)**	126,738
Decrease in contract liabilities	**(2,831)**	–
Cash used in operations	**(101,661)**	(289,508)
Hong Kong Profits Tax paid	**(7,654)**	(10,067)
Hong Kong Profits Tax refunded	**244**	212
Taxation outside Hong Kong paid	**(9,747)**	(11,873)
Taxation outside Hong Kong refunded	**3,695**	2,036
NET CASH USED IN OPERATING ACTIVITIES	**(115,123)**	(309,200)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2018

	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(41,928)**	(89,248)
Deposits paid for acquisition of property, plant and equipment	**(764)**	(3,554)
Advance of loan receivables	**(65)**	(5,601)
Proceeds from disposal of a debt instrument at FVTOCI	**5,044**	–
Repayment from a joint venture	**3,915**	–
Interest received	**1,752**	2,306
Repayment of loan receivables	**693**	245
Proceeds from disposal of property, plant and equipment	**561**	5,685
Advance to an associate	**–**	(5,250)
Purchase of an available-for-sale investment	**–**	(5,022)
Placement of time deposits	**–**	(2,393)
NET CASH USED IN INVESTING ACTIVITIES	**(30,792)**	(102,832)
FINANCING ACTIVITIES		
Trust receipt loans raised	**1,748,058**	1,372,600
Bank loans raised	**286,416**	320,602
Repayment of trust receipt loans	**(1,556,160)**	(1,076,889)
Repayment of bank loans	**(295,115)**	(311,694)
Dividends paid	**(22,477)**	(25,287)
Interest paid	**(26,623)**	(17,771)
Dividend paid to non-controlling interests	**(2,757)**	(4,560)
Repayment of obligations under finance leases	**(569)**	(813)
Acquisition of additional interest in a subsidiary upon the exercise of the put option by non-controlling shareholders (note 33)	**–**	(31,050)
Repayment to non-controlling shareholders	**–**	(11,770)
NET CASH FROM FINANCING ACTIVITIES	**130,773**	213,368
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(15,142)**	(198,664)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**383,167**	574,941
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(4,458)**	6,890
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by bank balances and cash	**363,567**	383,167

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2018

1. GENERAL

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

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

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are manufacturing and sales of metal products and building construction materials. Hereinafter, the Company and its subsidiaries are collectively referred to as the "Group".

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

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

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

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

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

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Metal products
- Building construction materials

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the consolidated statement of financial position as at 1st January, 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amounts previously reported at 31.12.2017**	**Reclassification**	**Carrying amounts under HKFRS 15 at 1.1.2018***
		HK$'000	HK$'000	HK$'000
Current Liabilities				
Trade and other payables	(a)	363,260	(10,228)	353,032
Contract liabilities	(a)	–	10,228	10,228

Note:

(a) As at 1st January, 2018, advances from customers of HK$10,228,000 in respect of sales contracts previously included in trade and other payables were reclassified to contract liabilities for HK$10,228,000.

* The amount in this column are before the adjustments from the application of HKFRS 9.

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

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

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

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31st December, 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Current Liabilities			
Trade and other payables	159,806	7,037	166,843
Contract liabilities	7,037	(7,037)	–

Impact on the consolidated statement of cash flows

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	HK$'000	HK$'000
Cash used in operating activities			
Decrease in trade and other payables	(188,131)	(2,831)	(190,962)
Decrease in contract liabilities	(2,831)	2,831	–

Except for the above, the application of HKFRS 15 has no other significant impact to the consolidated financial statements.

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

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

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018. All other financial assets and financial liabilities continue to be carried at amortised cost.

	Notes	Available-for-sale investment HK$'000	Equity instrument at FVTOCI HK$'000	Debt instrument at FVTOCI HK$'000	Trade receivables at amortised cost (previously classified as loans and receivables) HK$'000	Retained profits HK$'000
Closing balance at 31st December, 2017 – HKAS 39		9,198	–	–	702,080	651,592
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale investments	(a)	(9,198)	4,173	5,025	–	–
Remeasurement						
Impairment under ECL model	(b)	–	–	–	(3,986)	(3,986)
Opening balance at 1st January, 2018		–	4,173	5,025	698,094	647,606

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

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

2.2 HKFRS 9 Financial Instruments *(continued)*

Summary of effects arising from initial application of HKFRS 9 (continued)

Notes:

(a) Available-for-sale investments

From available-for-sale equity investment to FVTOCI

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of its equity investment previously classified as available-for-sale investment. The investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$4,173,000 was reclassified from available-for-sale investment to equity instrument at FVTOCI. The fair value gain of HK$4,173,000 relating to this investment previously carried at fair value recorded in investment reserve continued to accumulate in FVTOCI reserve as at 1st January, 2018.

From available-for-sale debt investment to FVTOCI

Certificate of deposit with a fair value of HK$5,025,000 was reclassified from available-for-sale investment to debt instrument at FVTOCI, as the investment is held within a business model whose objective is achieved by both collecting contractual cash flows and selling of the asset and the contractual cash flows of the investment are solely payments of principal and interest on the principal amount outstanding. The fair value loss of HK$39,000 relating to the investment previously carried at fair value recorded in investment reserve continued to accumulate in FVTOCI reserve as at 1st January, 2018.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with significant balances and collectively using a provision matrix based on remaining debtors' historical payment pattern and ageing categories.

ECL for other financial assets at amortised cost mainly comprise of bills receivables, loan receivables, other receivables, amount due from a joint venture, amount due from an associate, time deposits and bank balances, are measured on 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

The Group's debt instrument at FVTOCI is graded at the high credit rating among rating agencies. Therefore, the investment is considered to be low credit risk investments and the loss allowance is measured on 12m ECL basis.

As at 1st January, 2018, the additional credit loss allowance of HK$3,986,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables through the loss allowance account.

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

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

2.2 HKFRS 9 Financial Instruments *(continued)*

Summary of effects arising from initial application of HKFRS 9 (continued)

Notes: *(continued)*

(b) Impairment under ECL model *(continued)*

All loss allowances for trade receivables as at 31st December, 2017 reconcile to the opening loss allowance as at 1st January, 2018 is as follows:

	Trade receivables HK$'000
At 31st December, 2017 – HKAS 39	27,577
Amounts remeasured through opening retained profits	3,986
At 1st January, 2018	31,563

2.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31.12.2017 (Audited) HK$'000	**HKFRS 15** HK$'000	**HKFRS 9** HK$'000	**1.1.2018 (Restated)** HK$'000
Non-current Assets				
Available-for-sale investment	4,173	–	(4,173)	–
Equity instrument at FVTOCI	–	–	4,173	4,173
Current Assets				
Trade, bills, loan and other receivables	805,635	–	(3,986)	801,649
Available-for-sale investment	5,025	–	(5,025)	–
Debt instrument at FVTOCI	–	–	5,025	5,025
Current Liabilities				
Trade and other payables	363,260	(10,228)	–	353,032
Contract liabilities	–	10,228	–	10,228
Total Equity				
Retained profits	651,592	–	(3,986)	647,606

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2018, movements in working capital have been computed based on the balances per opening consolidated statement of financial position as at 1st January, 2018 as disclosed above.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1st January, 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1st January, 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020
5 Effective for annual periods beginning on or after 1st January, 2020

Except for the new and amendments to HKFRSs mentioned below, 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.

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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

HKFRS 16 *Leases* *(continued)*

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

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31st December, 2018, the Group has non-cancellable operating lease commitments of HK$413,569,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$14,945,000 and refundable rental deposits received of HK$53,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

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

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

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

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

As at 31st December, 2018, amount due from an associate of HK$9,622,000 is considered as long-term interests that, in substance form part of the Group's net investments in the relevant associate. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of preparation *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Goodwill

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

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

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

On disposal of the relevant CGU 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 cash-generating unit within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in an associate and a joint venture

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

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

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9 or HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(continued)*

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 and 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.

Revenue recognition (prior 1st January, 2018)

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

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

Sale of goods

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

Rendering of services

Service income is recognised when services are provided.

Interest income

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

Rental income

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

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

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

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

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

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in OCI 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

Research and development expenditure

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

Leases

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

The Group as lessor

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

The Group as lessee

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessee *(continued)*

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

Leasehold land and building

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Borrowing costs

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

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

Insurance policy assets

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

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 (loss) profit before taxation because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax *(continued)*

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.

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively.

Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from customers which are initially measured in accordance with HKFRS 15 since 1st January, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Effective interest method

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost.

When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI 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.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade, bills, loan and other receivables, amount due from a joint venture, amount due from an associate, time deposits and bank balances). 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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

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

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

(i) Significant increase in credit risk

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk *(continued)*

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. significant debtors of trade receivables, bills receivables, loan receivables, other receivables, amount due from a joint venture, amount due from an associate, time deposits and bank balances are assessed for expected credit losses on an individual basis while the remaining trade receivables are assessed on a collective basis);
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

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

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1st January, 2018)

Financial assets are classified into the following specified categories: Available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Available-for-sale financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables and available-for-sale financial assets (before application of HKFRS 9 on 1st January, 2018)

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables and available-for-sale financial assets (before application of HKFRS 9 on 1st January, 2018) (continued)

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

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

Derecognition of financial assets

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

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

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

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

On derecognition of an available-for-sale financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

Impairment losses on assets other than goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Government grants

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Estimated provision of ECL for trade receivables

Before the adoption of HKFRS 9, the identification of doubtful debts is based on ageing categories and subsequent settlements of the receivables. Repayment history and credit worthiness of debtors, and business relationship with debtors are taken into consideration for the measurement of the amount of allowances for doubtful debts. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further impairment loss may arise.

Upon the adoption of HKFRS 9, the management of the Group assesses individually for each significant trade debtors and uses provision matrix to calculate ECL collectively for remaining trade debtors by groupings of various trade debtors that have similar internal credit rating as reflected in the debtors' historical payment pattern and ageing categories.

For each significant trade debtors, the management measures the ECL with reference to proprietary database of ratings and defaults rates quoted from international credit rating agencies advised by independent qualified professional valuer. The provision matrix for groupings of remaining trade debtors is based on debtors' historical payment pattern and ageing categories taking into consideration of quantitative and qualitative information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical payment patterns are reassessed and changes in the forward-looking information are considered.

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

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

Write-down of inventories

The Group's inventories include steel products, concrete products, other construction products and printing materials. The write-down of inventories are mainly related to steel products. The valuation of steel products are subject to fluctuation of market prices. When there is a downward trend in the market, the selling price of the steel products of the Group may decrease which imposes pressures to the net realisable values of steel products. The management estimates the net realisable values for steel products primarily based on the market condition and the latest selling prices of steel products.

Moreover, the management also reviews the usability and saleability of all 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, 2018, the carrying amount of inventories is HK$617,773,000 (net of write-down of inventories of HK$34,465,000) (31.12.2017: HK$595,609,000 (net of write-down of inventories of HK$33,115,000)).

Impairment of property, plant and equipment

As at 31st December, 2018, the aggregate carrying amount of the Group's property, plant and equipment is HK$500,771,000 (31.12.2017: HK$503,205,000). Property, plant and equipment are first considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the CGU to which the property, plant and equipment belong. The recoverable amount is the higher of fair value less costs of disposal and its value in use. The management considers that the recoverable amount of the relevant CGU to which the relevant assets belong is determined on the basis of the value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise.

As at 31st December, 2018, accumulated impairment losses of the Group's property, plant and equipment is HK$28,690,000 (31.12.2017: HK$28,833,000).

Fair value measurements and valuation processes

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

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

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

Fair value measurements and valuation processes *(continued)*

The valuation of the investment properties is carried out once a year as at year end.

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

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed in note 17.

5. REVENUE AND SEGMENT INFORMATION

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

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

1. Metal products
2. Building construction materials

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

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2018

Segments	Metal products HK$'000	Building construction materials HK$'000	Other operations HK$'000	Total HK$'000
Types of goods				
Steel coil processing	300,232	–	–	300,232
Steel wire and wire ropes	880,935	–	–	880,935
Concrete products	–	275,008	–	275,008
Construction steel	–	1,581,920	–	1,581,920
Other construction products	–	15,863	–	15,863
Printing materials	–	–	33,242	33,242
Total	1,181,167	1,872,791	33,242	3,087,200

5. REVENUE AND SEGMENT INFORMATION *(continued)*

For the year ended 31st December, 2017

Segments	Metal products HK$'000	Building construction materials HK$'000	Other operations HK$'000	Total HK$'000
Types of goods				
Steel coil processing	294,427	–	–	294,427
Steel wire and wire ropes	715,203	–	–	715,203
Concrete products	–	501,930	–	501,930
Construction steel	–	1,171,658	–	1,171,658
Other construction products	–	18,638	–	18,638
Printing materials	–	–	40,351	40,351
Total	1,009,630	1,692,226	40,351	2,742,207

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

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

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.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

2018

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

2017

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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

Other segment information

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

2018

	Metal products HK$'000	**Building construction materials HK$'000**	**Reportable segment total HK$'000**	**Other operations HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Depreciation	**23,057**	**14,082**	**37,139**	**26**	**807**	**37,972**
Amortisation of prepaid lease payments	**426**	**34**	**460**	**–**	**–**	**460**
(Reversal of) impairment losses, net	**(246)**	**(4,068)**	**(4,314)**	**1,072**	**93**	**(3,149)**
Write-down of inventories, net	**274**	**1,410**	**1,684**	**–**	**–**	**1,684**
Loss on disposal of property, plant and equipment	**113**	**598**	**711**	**–**	**–**	**711**
Addition of property, plant and equipment	**29,649**	**15,167**	**44,816**	**7**	**2**	**44,825**
Disposal of property, plant and equipment	**(357)**	**(918)**	**(1,275)**	**–**	**–**	**(1,275)**

2017

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	24,679	11,099	35,778	31	1,575	37,384
Amortisation of prepaid lease payments	422	34	456	–	–	456
(Reversal of) impairment losses, net	(5,757)	(13,300)	(19,057)	(1,356)	68	(20,345)
Reversal of write-down of inventories, net	(143)	(4,657)	(4,800)	–	–	(4,800)
(Gain) loss on disposal of property, plant and equipment	(5,093)	(108)	(5,201)	6	–	(5,195)
Addition of property, plant and equipment	24,065	78,669	102,734	3	13	102,750
Disposal of property, plant and equipment	(113)	(243)	(356)	(6)	(128)	(490)

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

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

2018

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

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

2017

	Revenue from external customers				
	Metal products HK$'000	Building construction materials HK$'000	Other operations HK$'000	Total HK$'000	Non-current assets HK$'000
Hong Kong	55,588	1,596,004	13,563	1,665,155	316,719
PRC other than Hong Kong and Macau	920,914	16,808	25,510	963,232	222,429
Macau	–	78,434	970	79,404	–
Others	33,128	980	308	34,416	–
	1,009,630	1,692,226	40,351	2,742,207	539,148

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

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

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

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Rental income from property, plant and equipment	**634**	581
Rental income from investment properties	**237**	262
Sales of scraps and samples	**5,300**	4,792
Claims received	**209**	115
Crane and weighbridge income	**893**	1,131
Processing income	**1,559**	4,485
Government grants (Note)	**1,839**	6,200
Transportation income	**773**	854
Sundry income	**2,186**	3,662
	13,630	22,082

Note: During the year ended 31st December, 2018, two subsidiaries of the Company in the PRC received government grants of HK$865,000 (2017: HK$6,200,000) as fund for "High-tech Enterprises" and as an encouragement for operating in an economic development zone in Tianjin, and HK$974,000 (2017: Nil) as fund for "High-tech Enterprises" in Guangdong province respectively.

7. REVERSAL OF IMPAIRMENT LOSSES, NET

	2018 HK$'000	2017 HK$'000
Impairment losses (reversed) recognised on:		
– Trade receivables	**(3,242)**	(24,545)
– Loan receivables	**24**	16
– Other receivables	**69**	4,184
	(3,149)	(20,345)

8. OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
Fair value gain on investment properties	**(150)**	(70)
Loss (gain) on disposal of property, plant and equipment	**711**	(5,195)
Net exchange loss (gain)	**5,904**	(2,933)
Loss on deregistration of a subsidiary	**–**	106
Loss on redemption of a debt instrument at FVTOCI	**19**	–
	6,484	(8,092)

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
Bank borrowings	**26,634**	17,988
Finance leases	**30**	62
	26,664	18,050
Less: amounts capitalised in the cost of qualifying assets	**–**	(1,642)
	26,664	16,408

Borrowing costs capitalised during the year ended 31st December, 2017 were calculated by applying a capitalisation rate of 2.17% per annum on specific borrowing which financed the construction of qualifying assets.

10. INCOME TAXES

	2018 HK$'000	2017 HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	**1,010**	9,301
PRC Enterprise Income Tax	**8,170**	9,685
Withholding tax paid for distributed profits in the PRC	**539**	734
	9,719	19,720
Overprovision in prior years		
Hong Kong Profits Tax	**(443)**	(1,415)
PRC Enterprise Income Tax	**(4,520)**	(1,856)
	(4,963)	(3,271)
Deferred taxation (note 36)	**(2,930)**	3,830
	1,826	20,279

10. 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 profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime are applicable to the Group for its annual reporting periods beginning on or after 1st January, 2018. The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In addition, a PRC subsidiary of the Company was qualified as "High-tech Enterprise" in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2016. Another PRC subsidiary was qualified as "Small Low-profit Enterprise" in Guangdong and subject to an Enterprise Income Tax Rate of 10%, which was granted for three years starting from 2017. Further, 10% withholding income tax is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some PRC entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to PRC tax regulations if such companies are the beneficial owner of over 25% of these PRC entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 31st December, 2018 and 2017, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

10. INCOME TAXES *(continued)*

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

	Hong Kong		PRC		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit before taxation	**(126,552)**	(6,001)	**48,357**	75,169	**(78,195)**	69,168
Domestic income tax rate	**16.50%**	16.50%	**25.00%**	25.00%		
Tax at the domestic income tax rate	**(20,881)**	(990)	**12,089**	18,792	**(8,792)**	17,802
Tax effect of share of result of a joint venture	**–**	–	**21**	(9)	**21**	(9)
Tax effect of share of result of an associate	**(9)**	872	**–**	–	**(9)**	872
Tax effect of expenses not deductible for tax purpose	**853**	167	**403**	279	**1,256**	446
Tax effect of income not taxable for tax purpose	**(160)**	(496)	**(198)**	(283)	**(358)**	(779)
Tax effect of recognition of tax losses previously not recognised	**–**	(615)	**–**	–	**–**	(615)
Tax effect of tax losses not recognised	**17,716**	13,769	**–**	–	**17,716**	13,769
Tax effect of utilisation of tax losses previously not recognised	**(169)**	(629)	**–**	(50)	**(169)**	(679)
Tax effect of other deductible temporary difference not recognised	**279**	1,502	**–**	–	**279**	1,502
Tax effect of taxable temporary difference previously not recognised	**–**	1,891	**–**	–	**–**	1,891
Tax effect of utilisation of other temporary difference not recognised	**(722)**	(3,346)	**(1,961)**	(6,858)	**(2,683)**	(10,204)
Effect of tax concession granted to PRC subsidiaries	**–**	–	**(2,366)**	(1,960)	**(2,366)**	(1,960)
Withholding tax paid	**539**	734	**–**	–	**539**	734
Withholding tax on retained profits to be distributed	**290**	1,180	**–**	–	**290**	1,180
Overprovision in prior years	**(443)**	(1,415)	**(4,520)**	(1,856)	**(4,963)**	(3,271)
Income tax at concessionary rate	**(165)**	–	**–**	–	**(165)**	–
Others	**1,048**	(174)	**182**	(226)	**1,230**	(400)
Income taxes for the year	**(1,824)**	12,450	**3,650**	7,829	**1,826**	20,279

Details of deferred taxation are set out in note 36.

11. (LOSS) PROFIT FOR THE YEAR

	2018 HK$'000	2017 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**460**	456
Auditor's remuneration		
Current year	**3,815**	3,593
Underprovision in prior years	**273**	154
Cost of inventories recognised as expense including net write-down of inventories of HK$1,684,000 (2017: net reversal of HK$4,800,000)	**2,842,229**	2,379,761
Depreciation	**37,972**	37,384
Minimum lease payments for operating leases in respect of		
Land and buildings	**46,520**	46,941
Plant and machinery and equipment	**15,609**	12,345
Processing facilities (including land and buildings, plant and machinery and equipment)	**10,872**	1,800
	73,001	61,086
Research and development expenditure (including worker and staff costs of HK$11,475,000 (2017: HK$7,502,000) and minimum lease payments for operating leases of HK$3,863,000 (2017: HK$3,822,000))	**32,610**	28,123
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	**268,038**	249,058

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$1,931,000 (2017: HK$1,922,000) are included in director's emoluments under worker and staff costs.

12. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

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

	Pang Tak Chung HK$'000 (Note a and c)	Ho Wai Yu, Sammy HK$'000 (Note a)	Pang Wan Ping HK$'000 (Note a)	Lau Ngai Fai HK$'000 (Note a)	Yu Kwok Kan, Stephen HK$'000 (Note b)	Chan Yat Yan HK$'000 (Note b)	Lo Yip Tong HK$'000 (Note b)	2018 Total HK$'000
Fees	–	–	–	–	210	210	210	630
Other emoluments								
Salaries and other benefits	5,892	3,534	998	2,740	–	–	–	13,164
Bonus*	1,400	1,400	250	650	–	–	–	3,700
Contributions to retirement benefits scheme	–	283	72	137	–	–	–	492
	7,292	5,217	1,320	3,527	210	210	210	17,986

	Pang Tak Chung HK$'000 (Note a and c)	Ho Wai Yu, Sammy HK$'000 (Note a)	Pang Wan Ping HK$'000 (Note a)	Lau Ngai Fai HK$'000 (Note a)	Yu Kwok Kan, Stephen HK$'000 (Note b)	Chan Yat Yan HK$'000 (Note b)	Lo Yip Tong HK$'000 (Note b)	2017 Total HK$'000
Fees	–	–	–	–	204	204	204	612
Other emoluments								
Salaries and other benefits	5,711	3,354	940	2,620	–	–	–	12,625
Bonus*	1,400	1,400	250	650	–	–	–	3,700
Contributions to retirement benefits scheme	–	268	65	131	–	–	–	464
	7,111	5,022	1,255	3,401	204	204	204	17,401

* 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 effect of the Company and the Group.

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

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

(d) No director waived any emoluments for the two years ended 31st December, 2018 and 2017.

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2017: three directors), details of whose emoluments are set out in note 12 above. The emoluments of the remaining two individuals (2017: two individuals) are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	**3,894**	3,878
Contributions to retirement benefits scheme	**15**	18
	3,909	3,896

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	1
	2	2

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

14. DIVIDEND

	2018 HK$'000	2017 HK$'000
Dividends paid:		
2018 Interim – HK1.0 cent (2017: HK1.5 cents) per ordinary share	**5,619**	8,429
2017 Final – HK3.0 cents (2017: 2016 Final – HK3.0 cents) per ordinary share	**16,858**	16,858
	22,477	25,287
Dividend proposed:		
Final dividend proposed for the year		
– HK2.0 cents (2017: HK3.0 cents) per ordinary share	**11,238**	16,858

The directors proposed the payment of a final dividend of HK2.0 cents per share for the year ended 31st December, 2018, with an option to be paid in new shares of the Company, credited as fully paid, by way of scrip dividend. The arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming annual general meeting; and (2) the Stock Exchange granting the listing of and permission to deal in the new shares to be issued pursuant thereto. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements.

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the (loss) profit attributable to the shareholders of the Company for the year and 561,922,500 (2017: 561,922,500) ordinary shares in issue during the year.

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

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

16. GOODWILL

	HK$'000
COST	
At 1st January, 2017, 31st December, 2017 and 2018	34,355
IMPAIRMENT	
At 1st January, 2017, 31st December, 2017 and 2018	(34,355)
CARRYING AMOUNT	
At 1st January, 2017, 31st December, 2017 and 2018	–

For the purposes of impairment testing, goodwill is allocated to individual CGU which is engaged in trading of printing materials and is expected to benefit from that business combination. As at 31st December, 2018 and 2017, the carrying amount of goodwill was attributable to a subsidiary in other operations segment.

17. INVESTMENT PROPERTIES

	HK$'000
Fair value	
At 1st January, 2017	3,910
Increase in fair value recognised in profit or loss	70
At 31st December, 2017	3,980
Increase in fair value recognised in profit or loss	150
At 31st December, 2018	4,130

Notes:

(a) The investment properties are located in PRC.

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

(c) The fair value of the investment properties as at 31st December, 2018 and 2017 have been arrived at on the basis of a valuation carried out on the respective dates by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuers not connected to the Group. The directors of LCH (Asia-Pacific) Surveyors Limited 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 31.12.2018 HK$'000	Fair value at 31.12.2017 HK$'000	Valuation technique	Key unobservable inputs	Relationship of unobservable input to fair value	Sensitivity
Commercial properties in Guangzhou, PRC	Level 3	**4,130**	3,980	Sales comparison approach	Adjusted price per square meter: Renminbi ("RMB") 24,141 to RMB28,658 (31.12.2017: RMB23,207 to RMB24,437)	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, 2017	172,450	20,388	23,663	32,525	528,643	8,268	129,415	915,352
Exchange difference	1,963	352	458	792	23,389	163	19	27,136
Additions	269	916	1,350	3,571	6,623	44,193	45,828	102,750
Disposals	–	(730)	(594)	(1,268)	(15,271)	(36)	–	(17,899)
Written off of impaired assets	–	–	(35)	(26)	(8,071)	–	–	(8,132)
Reclassification	709	–	220	–	1,229	(1,413)	(745)	–
At 31st December, 2017	175,391	20,926	25,062	35,594	536,542	51,175	174,517	1,019,207
Exchange difference	(1,423)	(247)	(344)	(533)	(16,080)	(841)	(108)	(19,576)
Additions	241	2,698	1,034	2,783	8,518	27,688	1,863	44,825
Disposals	(3,201)	–	(178)	(2,903)	(12,840)	–	–	(19,122)
Written off of impaired assets	–	–	–	(12)	(131)	–	–	(143)
Reclassification	–	–	6	–	11,854	(9,859)	(2,001)	–
At 31st December, 2018	**171,008**	**23,377**	**25,580**	**34,929**	**527,863**	**68,163**	**174,271**	**1,025,191**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2017	124,603	14,280	19,529	24,849	301,097	274	3,950	488,582
Exchange difference	1,474	352	354	640	12,736	19	2	15,577
Provided for the year	2,679	1,465	1,517	2,691	29,032	–	–	37,384
Eliminated on disposals	–	(650)	(569)	(1,264)	(14,926)	–	–	(17,409)
Eliminated on written off of impaired assets	–	–	(35)	(26)	(8,071)	–	–	(8,132)
Reclassification	–	–	–	–	329	(293)	(36)	–
At 31st December, 2017	128,756	15,447	20,796	26,890	320,197	–	3,916	516,002
Exchange difference	(1,067)	(247)	(268)	(425)	(9,557)	–	–	(11,564)
Provided for the year	2,711	1,463	1,574	3,024	29,200	–	–	37,972
Eliminated on disposals	(3,201)	–	(153)	(2,802)	(11,691)	–	–	(17,847)
Eliminated on written off of impaired assets	–	–	–	(12)	(131)	–	–	(143)
At 31st December, 2018	**127,199**	**16,663**	**21,949**	**26,675**	**328,018**	**–**	**3,916**	**524,420**
CARRYING VALUES								
At 31st December, 2018	**43,809**	**6,714**	**3,631**	**8,254**	**199,845**	**68,163**	**170,355**	**500,771**
At 31st December, 2017	46,635	5,479	4,266	8,704	216,345	51,175	170,601	503,205

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

The above items of property, plant and equipment 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%

The carrying values of motor vehicles of the Group include an amount of HK$416,000 (31.12.2017: HK$1,188,000) in respect of assets held under finance leases.

The carrying values of plant and machinery and equipment of the Group include an amount of HK$4,216,000 (31.12.2017: HK$4,682,000) in respect of assets leased to third party under operating leases.

The carrying value of leasehold land and buildings comprises:

	31.12.2018 HK$'000	31.12.2017 HK$'000
Situated in Hong Kong	**21,680**	23,132
Situated in the PRC other than Hong Kong and Macau	**22,129**	23,503
	43,809	46,635

Note:

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

No impairment or reversal of impairment loss previously recognised was noted for both years.

19. PREPAID LEASE PAYMENTS

	31.12.2018 HK$'000	31.12.2017 HK$'000
The Group's prepaid lease payments comprise:		
Land use rights in the PRC other than Hong Kong and Macau	**13,094**	14,116
Analysed for reporting purposes as:		
Current asset	**451**	469
Non-current asset	**12,643**	13,647
	13,094	14,116

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

	31.12.2018 HK$'000	31.12.2017 HK$'000
Cost of investments (unlisted)	**1,226**	1,226
Share of post-acquisition profits and other comprehensive income	**2,769**	2,853
	3,995	4,079
Amount due from a joint venture (Note)	**1,153**	5,068

Details of impairment assessment of amount due from a joint venture for the year ended 31st December, 2018 is set out in note 43(f).

Amount due from a joint venture that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$1,153,000 (31.12.2017: HK$5,068,000).

Particulars of the joint venture as at 31st December, 2018 and 2017 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**
			31.12.2018 %	31.12.2017 %	
Kunshan Rosathal Printing Ink Limited	Equity joint venture	PRC	**33.25***	33.25*	Manufacturing and sales of printing ink

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

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

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

Information of the joint venture that is not individually material

	2018 **HK$'000**	2017 HK$'000
The Group's share of (loss) profit and total comprehensive (expense) income	**(84)**	41

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

	31.12.2018 **HK$'000**	31.12.2017 HK$'000
Cost of investment (unlisted)	**3,500**	3,500
Share of post-acquisition losses and other comprehensive expense	**(3,500)**	(3,500)
	–	–
Amount due from an associate - Non-current asset (Note b)	**19,250**	19,250
Less: share of post-acquisition losses that are in excess of the cost of the investment	**(9,628)**	(9,682)
	9,622	9,568

The amount due from an associate after share of post-acquisition losses that are in excess of the cost of the investment of HK$9,622,000 (31.12.2017: HK$9,568,000) 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, 2018 is set out in note 43(f).

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

Particulars of the associate as at 31st December, 2018 and 2017 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**
			31.12.2018	31.12.2017	
			%	%	
Hongkong United Reinforcement Engineering Limited	Incorporated	Hong Kong	**35**	35	Provision of a structural steel cut and bend facility on the premises for rebar cutting, bending and prefabrication services

Notes:

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

(b) The amount of HK$14,000,000 (31.12.2017: HK$14,000,000) is unsecured, carries interest at 2% below the best lending rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited per annum and is repayable in 2025. The balance of HK$5,250,000 (31.12.2017: HK$5,250,000) is unsecured, interest-free and is repayable in 2021.

Summarised financial information of the associate

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

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

	2018	2017
	HK$'000	HK$'000
Revenue	**10,872**	10,583
Profit (loss) and total comprehensive income (expense) for the year	**154**	(15,097)

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

Summarised financial information of the associate *(continued)*

	31.12.2018 HK$'000	31.12.2017 HK$'000
Current assets	**9,050**	5,598
Non-current assets	**22,341**	25,902
Current liabilities	**(3,899)**	(4,162)
Non-current liabilities	**(55,000)**	(55,000)

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

	31.12.2018 HK$'000	31.12.2017 HK$'000
Net liabilities	**(27,508)**	(27,662)
Proportion of the Group's ownership interest in the associate	**35%**	35%
Share of net liabilities of the associate	**(9,628)**	(9,682)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	**9,628**	9,682
Carrying amount of the Group's interest in the associate	**–**	–

22. AVAILABLE-FOR-SALE INVESTMENT

	31.12.2017 HK$'000
The investments comprise of:	
Certificate of deposit	5,025
Equity securities listed in the Frankfurt Stock Exchange	4,173
Total	9,198
Analysed for reporting purposes as:	
Current assets	5,025
Non-current assets	4,173
	9,198

22. AVAILABLE-FOR-SALE INVESTMENT *(continued)*

As at 31st December, 2017, available-for-sale investment included a certificate of deposit of HK$5,025,000 with fixed interest of 1.40% per annum of which the adjusted market price is quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority, and an investment in equity securities of HK$4,173,000 listed in the Frankfurt Stock Exchange of which the fair value is determined by reference to the bid prices quoted in an active market.

As at 31st December, 2017, available-for-sale investment that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$4,173,000.

Upon the adoption of HKFRS 9 with effect from 1st January, 2018, the certificate of deposit which was previously treated as available-for-sale investment was reclassified to debt instrument at FVTOCI and the Group has made an irrevocable election to designate the investment in equity securities listed in the Frankfurt Stock Exchange as equity instrument at FVTOCI (Note 23). The certificate of deposit was redeemed during the year.

23. EQUITY INSTRUMENT AT FVTOCI

The equity investment is listed in the Frankfurt Stock Exchange.

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

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

24. INSURANCE POLICY ASSETS

	31.12.2018 HK$'000	31.12.2017 HK$'000
Insurance policy assets due after one year	**12,295**	11,775

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$60,517,000 (31.12.2017: HK$60,397,000). The Group is required to pay premium charges at inception of the policies amounting to HK$324,000. The Group can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment of HK$10,005,000 (31.12.2017: HK$9,992,000) plus accumulated interest earned and minus insurance premium charged at inception of HK$324,000 and the accumulated monthly insurance premium expenses charged. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance companies will pay the Group an interest of 3% per annum on the outstanding cash value of the policy.

The effective interest rate on initial recognition was 3%, which was determined by discounting the estimated future cash receipts through the expected life of the respective policies, excluding the financial effect of surrender charge. As at 31st December, 2018, 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$6,315,000 (31.12.2017: HK$6,149,000).

25. INVENTORIES

	31.12.2018 HK$'000	31.12.2017 HK$'000
Raw materials	**120,611**	101,932
Work in progress	**56,673**	60,963
Finished goods	**439,158**	431,184
Supplies	**1,331**	1,530
	617,773	595,609

26. TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	31.12.2018 HK$'000	31.12.2017 HK$'000
Trade receivables	605,844	729,657
Less: Allowance for credit losses	(24,963)	(27,577)
	580,881	702,080
Bills receivables	13,909	35,332
Trade and bills receivables	594,790	737,412
Loan receivables (Note)	6,678	7,306
Less: Allowance for credit losses	(1,990)	(1,966)
	4,688	5,340
Prepayments, deposits and other receivables	82,071	91,154
Less: Allowance for credit losses	(13,023)	(13,263)
	69,048	77,891
Total trade, bills, loan and other receivables	668,526	820,643
Analysed for reporting purpose as:		
Current	654,416	805,635
Non-current – Loan receivables, net (Note)	3,936	4,647
Non-current – Rental and other deposits	10,174	10,361
	668,526	820,643

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

Note:

a) As at 31st December, 2018, the loan receivables with the carrying amount of HK$4,648,000 (net of allowance for doubtful debts of Nil) (31.12.2017: carrying mount of HK$5,340,000, net of allowance of doubtful debts of Nil) are secured over motor vehicles and repayable by instalments within seven years from the first drawdown date. They bear interest at 2.75% (31.12.2017: 2.75%) per annum. The Group is not permitted to sell or repledge the motor vehicles 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 a loss allowance for the loans receivables as a result of these collaterals.

b) As at 31st December, 2018, the loan receivable with the carrying amount of HK$40,000 (net of allowance for doubtful debts of Nil) (31.12.2017: carrying mount of Nil, net of allowance of doubtful debts of Nil) is unsecured and repayable by instalments within 18 months from the first drawdown date. It bears interest at 3.5% (31.12.2017: Nil) per annum.

c) As at 31st December, 2018, the loan receivables with the carrying amount of Nil (net of allowance for doubtful debts of HK$1,950,000) (31.12.2017: carrying amount of Nil, net of allowance of doubtful debts of HK$1,950,000) are secured and repayable within one year. They bear interest at 5% (31.12.2017: 5%) per annum.

d) As at 31st December, 2018, the loan receivables with the carrying amount of Nil (net of allowance for doubtful debts of HK$40,000) (31.12.2017: carrying mount of Nil, net of allowance of doubtful debts of HK$16,000) are unsecured and repayable within one year. They bear interest at 5% (31.12.2017: 5%) per annum.

e) During the year ended 31st December, 2018, allowance of doubtful debts of HK$24,000 (2017: HK$16,000) was recognised in the profit or loss.

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

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

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

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

	31.12.2018	31.12.2017
	HK$'000	HK$'000
0 – 30 days	266,436	335,078
31 – 60 days	192,664	225,202
61 – 90 days	78,168	92,620
91 – 120 days	25,301	42,867
More than 120 days	32,221	41,645
	594,790	737,412

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$244,587,000 (31.12.2017: HK$319,095,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. Out of the past due balances, HK$19,510,000 (31.12.2017: HK$28,060,000) 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.

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

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

	2017 HK$'000
Overdue by:	
1 – 30 days	198,459
31 – 60 days	71,634
61 – 90 days	20,942
91 – 120 days	16,377
More than 120 days	11,683
	319,095

Movement in the allowance for doubtful debts on trade receivables:

	2017 HK$'000
Balance at beginning of the year	78,807
Exchange difference	1,960
Impairment losses recognised	1,927
Impairment losses reversed	(26,472)
Amounts written off during the year	(28,645)
Balance at end of the year	27,577

Movement in the allowance for doubtful debts on loan receivables:

	2017 HK$'000
Balance at beginning of the year	1,950
Impairment losses recognised	16
Balance at end of the year	1,966

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

Movement in the allowance for doubtful debts on other receivables:

	2017 HK$'000
Balance at beginning of the year	9,018
Exchange difference	280
Impairment losses recognised	5,168
Impairment losses reversed	(984)
Amounts written off during the year	(219)
Balance at end of the year	13,263

As at 31st December, 2017, included in the allowance for doubtful debts are individually impaired trade, bills, loan and other receivables with an aggregate balance of HK$42,806,000 which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. Based on historical experience, these overdue balances are normally not recoverable. The Group does not hold any collateral over these balances. Allowance for doubtful debts of HK$27,456,000 was reversed to profit or loss because these impaired trade and other receivables were recovered during the year or there has been a change in credit quality and the amounts are considered recoverable based on repayment history during the year.

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$5,684,000 (31.12.2017: HK$5,798,000).

Details of impairment assessment of trade, bills, loan and other receivables for the year ended 31st December, 2018 are set out in note 43(f).

27. TIME DEPOSITS AND BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates.

The time deposits with maturity over 1 years will be matured in 2020 and carry interest at 5.23% per annum.

As at 31st December, 2018, time deposits and bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$31,122,000 (31.12.2017: HK$25,714,000).

Details of impairment assessment of time deposits and bank balances for the year ended 31st December, 2018 are set out in note 43(f).

28. TRADE AND OTHER PAYABLES

	31.12.2018	31.12.2017
	HK$'000	HK$'000
Trade payables	**67,979**	237,808
Accruals	**64,943**	84,176
Deposits received	**6,184**	19,264
Other payables	**20,700**	22,012
	159,806	363,260

As at 31st December, 2017, the deposit received of HK$19,264,000 includes advances from customers in respect of sales contract of HK$10,228,000 as stated in note 29, which was reclassified to contract liabilities as at 1st January, 2018 upon initial application of HKFRS 15.

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:

	31.12.2018	31.12.2017
	HK$'000	HK$'000
0 – 30 days	**40,506**	181,861
31 – 60 days	**18,414**	38,886
61 – 90 days	**4,179**	8,905
91 – 120 days	**2,143**	5,608
More than 120 days	**2,737**	2,548
	67,979	237,808

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$6,292,000 (31.12.2017: HK$2,253,000).

29. CONTRACT LIABILITIES

	31.12.2018	1.1.2018*
	HK$'000	HK$'000
Metal products	**5,988**	7,835
Building construction materials	**1,049**	2,393
	7,037	10,228

* The amounts in this column are after the adjustments from the application of HKFRS 15.

29. CONTRACT LIABILITIES *(continued)*

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

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

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

31. BANK BORROWINGS

	31.12.2018 HK$'000	31.12.2017 HK$'000
Bank loans	**277,497**	293,664
Trust receipt loans	**746,174**	554,275
	1,023,671	847,939
Analysed as:		
Secured (note 37)	**20,955**	28,351
Unsecured	**1,002,716**	819,588
	1,023,671	847,939
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	**44,465**	83,742
Carrying amounts of bank borrowings containing a repayable on demand clause (shown under current liabilities) but repayable		
Within one year	**891,419**	648,871
More than one year, but not exceeding two years	**22,668**	29,463
More than two years, but not exceeding five years	**65,119**	85,863
	979,206	764,197
	1,023,671	847,939
Less: amounts due within one year shown under current liabilities	**(1,023,671)**	(847,939)
Amounts shown under non-current liabilities	**–**	–

The effective borrowing rates are ranging from 2.36% to 6.63% (2017: 1.29% to 6.50%) per annum.

31. BANK BORROWINGS *(continued)*

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

Denominated in	Interest rate per annum	31.12.2018 HK$'000	31.12.2017 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 0.70% to 4.17% (31.12.2017: HIBOR plus 1.00% to 4.44%)	**862,473**	682,392
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 2.60% to 2.73% (31.12.2017: LIBOR plus 2.72% to 4.66%)	**1,093**	3,171
Renminbi	10.00% to 30.00% mark up from People's Bank of China ("PBOC") lending rate (31.12.2017: Up to 30.00% mark up from PBOC lending rate)	**47,935**	118,112
	Fixed rate ranging from 4.35% to 4.87% (31.12.2017: 4.30% to 5.22%)	**111,869**	44,264
Euro (Note)	Standard Bills Rate quoted by the bank minus 0.75% per annum	**301**	–
		1,023,671	847,939

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

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**377**	599	**367**	569
More than one year, but not exceeding two years	**62**	377	**60**	367
More than two years, but not exceeding five years	**–**	62	**–**	60
	439	1,038		
Less: future finance charges	**(12)**	(42)		
Present value of lease obligations	**427**	996	**427**	996
Less: amounts due within one year shown under current liabilities			**(367)**	(569)
Amounts due after one year			**60**	427

Certain of the Group's motor vehicles are leased under finance leases. The lease terms are ranging from 1 to 5 years. The obligations under finance leases of HK$427,000 (31.12.2017: HK$996,000) carry fixed interest rates from 2.00% to 2.75% (31.12.2017: 1.60% to 2.75%) per annum. All leases are on a fixed repayment basis. The Group has options to purchase the motor vehicles for a nominal amount at the end of the lease terms.

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

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

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

33. OBLIGATION ARISING FROM A PUT OPTION TO NON-CONTROLLING SHAREHOLDERS *(continued)*

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

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2017, 31st December, 2017 and 2018	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2017, 31st December, 2017 and 2018	561,922,500	56,192

35. SHARE OPTION SCHEME

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

Summary of the Scheme

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

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

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

35. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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

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

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

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

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

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

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

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

36. DEFERRED TAXATION

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

	Accelerated tax depreciation	Tax losses	Withholding tax on retained profits to be distributed	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2017	(16,433)	2,892	(8,560)	556	(21,545)
(Charge) credit to profit or loss	(6,891)	4,241	(1,180)	–	(3,830)
At 31st December, 2017	(23,324)	7,133	(9,740)	556	(25,375)
(Charge) credit to profit or loss	(1,447)	4,667	(290)	–	2,930
At 31st December, 2018	**(24,771)**	**11,800**	**(10,030)**	**556**	**(22,445)**

At the end of the reporting period, the Group has tax losses of HK$667,526,000 (31.12.2017: HK$532,892,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$71,516,000 (31.12.2017: HK$43,230,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$596,010,000 (31.12.2017: HK$489,662,000) 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$32,153,000 (31.12.2017: HK$39,785,000) in respect of impairment losses on property, plant and equipment and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK$3,370,000 (31.12.2017: HK$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$28,783,000 (31.12.2017: HK$36,415,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. PLEDGE OF ASSETS

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

	31.12.2018	31.12.2017
	HK$'000	HK$'000
Construction in progress	**81,084**	81,084

38. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	31.12.2018 **HK$'000**	31.12.2017 HK$'000
Land and buildings:		
Within one year	**36,991**	44,874
In the second to fifth year inclusive	**99,547**	120,228
Over five years	**164,334**	187,830
	300,872	352,932
Plant and machinery and equipment:		
Within one year	**14,015**	14,227
In the second to fifth year inclusive	**22,458**	32,910
Over five years	**55,183**	62,470
	91,656	109,607
Processing facilities (including land and buildings, plant and machinery and equipment):		
Within one year	**11,307**	10,872
In the second to fifth year inclusive	**9,734**	21,041
	21,041	31,913
Total	**413,569**	494,452

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

38. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

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

	31.12.2018 HK$'000	31.12.2017 HK$'000
Sub-licensed land and buildings and investment properties:		
Within one year	**159**	598
In the second to fifth year inclusive	**–**	276
	159	874
Plant and machinery and equipment:		
Within one year	**326**	342
In the second to fifth year inclusive	**1,304**	1,367
Over five years	**4,076**	4,615
	5,706	6,324
Total	**5,865**	7,198

The sub-licensed land and buildings, investment properties and plant, machinery and equipment held have committed tenants for terms ranging from two to twenty years (31.12.2017: two to twenty years).

39. CAPITAL COMMITMENTS

	31.12.2018 HK$'000	31.12.2017 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,622**	3,285

40. RETIREMENT BENEFITS SCHEMES

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

40. RETIREMENT BENEFITS SCHEMES *(continued)*

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$14,141,000 (2017: HK$13,422,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$61,000 (2017: HK$199,000).

41. RELATED PARTY TRANSACTIONS

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

	Trade sales		Interest income		Sub-licence fee	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
An associate	**–**	51	**424**	420	**10,872**	1,800

Compensation of key management personnel

The Group's key management personnel are all executive directors of the Company, details of their remuneration are disclosed in note 12. Their remuneration is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 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.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2018 HK$'000	31.12.2017 HK$'000
Financial assets		
Financial assets at amortised cost	**978,189**	–
Equity investment at FVTOCI	**3,292**	–
Loans and receivables (including cash and cash equivalents)	**–**	1,161,081
Available-for-sale investment	**–**	9,198
Financial liabilities		
At amortised cost	**1,161,864**	1,180,788

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills, loan and other receivables, time deposits, bank balances and cash, amounts due from a joint venture and an associate, trade and other payables, bank borrowings and amounts due to non-controlling shareholders. Details of the financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (including 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.

(c) Foreign currency risk management

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

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

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

	Assets		Liabilities	
	31.12.2018 HK$'000	31.12.2017 HK$'000	31.12.2018 HK$'000	31.12.2017 HK$'000
Hong Kong dollars	**8,532**	8,378	**–**	–
United States dollars	**23,523**	19,562	**6,257**	4,738
Renminbi	**5,515**	12,037	**40**	346
Others	**3,681**	6,925	**1,389**	340

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

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	
	31.12.2018	31.12.2017	**31.12.2018**	31.12.2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**2,442**	2,437	**19,247**	18,712
United States dollars	**39,905**	39,905	**32,042**	39,905
Renminbi	**21,202**	28,072	**2,571**	2,658

Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 5% (2017: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2017: 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% (2017: 5%) change in foreign currency rates. A negative number indicates an increase in loss for the year (2017: decrease in profit for the year) where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2017: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the (loss) profit for the year.

	(Loss) profit for the year	
	2018	2017
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**310**	296
United States dollars	**1,038**	1,415
Renminbi	**(1,006)**	(1,549)
Others	**(97)**	(275)

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.

43. 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 26), time deposits (note 27) 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 variable-rate bank balances (note 27), 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 borrowings denominated in Hong Kong dollars, United States dollars and Renminbi.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and amount due from an associate. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was existed for the whole year. A 50 (2017: 50) basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2017: 50) basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31st December, 2018 would have increased by HK$3,728,000 (2017: decreased in profit for the year HK$3,247,000).

(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.

(f) Credit risk and impairment assessment

The Group's financial assets include trade, bills, loan and other receivables, amount due from a joint venture, amount due from an associate, 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, 2018, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivables is mitigated because they are secured over motor vehicles and settlement of certain trade receivables are backed by bills issued by financial institutions.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. The credit review team of the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually and collectively for remaining trade debtors using provision matrix by grouping of various trade debtors that have similar internal credit rating as reflected in the debtors' historical payment pattern and ageing categories. In this regard, the directors consider that the Group's credit risk is significantly reduced.

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

Loan receivables

The credit risk on loan receivables which are not credit-impaired is limited because they are secured over motor vehicles and the loan receivables have no historical default record. The directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date. Therefore, the credit rating for the secured loan receivables is considered to be low credit risk and the loss allowance is measured on 12m ECL basis.

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

Other receivables and amount due from a joint venture

The credit risks on other receivables and amount due from a joint venture are limited because the counterparties have no historical default record and the directors expect that the general economic conditions will not significantly changed for the 12 months after the reporting date. Therefore, the credit rating is considered to be low credit risk and the loss allowance is measured on 12m ECL basis.

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

Amount due from an associate

There has been significant increases in credit risk on amount due from an associate. The directors review the recoverable amount at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Bank balances, time deposits and bills receivables

The credit risks on bank balances, time deposits 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 loss allowance is measured on 12m ECL basis.

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

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

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

2018	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount	
					HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables	26	N/A	(Note 2)	Lifetime ECL (provision matrix)	412,712	
			Low risk	Lifetime ECL (not credit-impaired)	181,910	
			Loss	Lifetime ECL – credit-impaired	11,222	605,844*
Amount due from a joint venture	20	N/A	Low risk	12m ECL	1,153	1,153
Amount due from an associate	21	N/A	Doubtful	12m ECL	19,250	19,250*
Loan receivables	26	N/A	Low risk	12m ECL	4,688	
			Loss	Lifetime ECL – credit-impaired	1,990	6,678*
Other receivables	26	N/A	Low risk	12m ECL	2,087	
			Loss	Lifetime ECL – credit-impaired	13,023	15,110*
Bank balances and Time deposits	27	(Note 1)	N/A	12m ECL	362,090	362,090
Bills receivables	26	(Note 1)	N/A	12m ECL	13,909	13,909

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

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 loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by different ageing categories of numbers of days outstanding from invoice dates.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Provision matrix – debtors' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31st December, 2018 within lifetime ECL (not credit-impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of HK$181,910,000 and HK$11,222,000 respectively as at 31st December, 2018 were assessed individually.

Gross carrying amount

	Average loss rate	**Trade receivables** HK$'000
Internal credit rating		
Low risk	0.61%	374,614
Watch list	4.00%	35,206
Doubtful	30.44%	2,892
		412,712

The estimated loss rates are estimated by the management with reference to on proprietary database of ratings and defaults rates quoted from an international credit rating agency and are adjusted by the industrial characteristic information. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31st December, 2018, impairment allowance for trade receivables included HK$4,589,000 based on the provision matrix, HK$9,152,000 for debtors with significant balances and HK$11,222,000 for credit-impaired debtors respectively.

43. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 31st December, 2017 under HKAS 39	–	27,577	27,577
Adjustment upon application of HKFRS 9	3,986	–	3,986
As at 1st January, 2018 – As restated	3,986	27,577	31,563
Changes due to financial instruments recognised as at 1st January:			
– Transfer to credit-impaired	(22)	22	–
– Impairment losses reversed	(1,416)	(12,831)	(14,247)
– Write-offs	–	(2,460)	(2,460)
Impairment losses recognised	11,005	–	11,005
Exchange difference	188	(1,086)	(898)
As at 31st December, 2018	**13,741**	**11,222**	**24,963**

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.

Changes in the loss allowance for trade receivables are mainly due to:

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

Loan receivables

The following tables show reconciliation of loss allowances that has been recognised for loan receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 31st December, 2017 under HKAS 39 and as at 1st January, 2018 under HKFRS 9	1,966
Impairment losses recognised	24
As at 31st December, 2018	**1,990**

Other receivables

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Lifetime ECL (credit-impaired) HK$'000
As at 31st December, 2017 under HKAS 39 and as at 1st January, 2018 under HKFRS 9	13,263
Impairment losses recognised	69
Exchange difference	(309)
As at 31st December, 2018	**13,023**

43. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management

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

At the end of the reporting period, the Group has available unutilised short and long-term banking facilities of HK$808,163,000 and HK$84,533,000 (31.12.2017: HK$1,139,693,000 and HK$73,781,000) 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	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2018 HK$'000
2018							
Non-derivative instruments							
Trade and other payables	–	134,993	–	–	–	134,993	134,993
Bank borrowings							
– Fixed interest rate	4.70	54,435	58,964	–	–	113,399	111,869
– Variable interest rate	3.48	899,532	12,622	–	–	912,154	911,802
Amounts due to non-controlling shareholders	–	3,200	–	–	–	3,200	3,200
Obligations under finance leases							
– Fixed interest rate	3.85	128	249	62	–	439	427
		1,092,288	71,835	62	–	1,164,185	1,162,291

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'000	1 – 2 years HK$'000	>2 – <5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2017 HK$'000
2017							
Non-derivative instruments							
Trade and other payables	–	329,649	–	–	–	329,649	329,649
Bank borrowings							
– Fixed interest rate	4.78	529	44,771	–	–	45,300	44,264
– Variable interest rate	2.59	776,514	27,779	–	–	804,293	803,675
Amounts due to non-controlling shareholders	–	3,200	–	–	–	3,200	3,200
Obligations under finance leases							
– Fixed interest rate	4.41	190	409	377	62	1,038	996
		1,110,082	72,959	377	62	1,183,480	1,181,784

43. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2018, the aggregate carrying amounts of these bank borrowings amounted to HK$979,206,000 (31.12.2017: HK$764,197,000). 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$991,651,000 (31.12.2017: HK$778,843,000).

	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, 2018	**806,469**	**91,759**	**25,730**	**67,693**	**991,651**
31st December, 2017	152,596	504,070	32,333	89,844	778,843

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

(h) Fair value measurement of financial instruments

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

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

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

43. FINANCIAL INSTRUMENTS *(continued)*

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2018	31.12.2017			
Available-for-sale investment – listed equity securities	**N/A**	Asset – HK$4,173,000	Level 1	Quoted bid prices from a trading platform market	N/A
Available-for-sale investment – certificate of deposit	**N/A**	Asset – HK$5,025,000	Level 2	Adjusted market price quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority	N/A
Equity instrument at FVTOCI	**Asset – HK$3,292,000**	N/A	Level 1	Quoted bid prices from a trading platform market	N/A

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

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

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

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000 (Note 31)	Amounts due to non-controlling shareholders HK$'000 (Note 30)	Obligations under finance leases HK$'000 (Note 32)	Dividend payables HK$'000 (Note 14)	Interest payables (included in other payables) HK$'000	Total HK$'000
At 1st January, 2018	**847,939**	**3,200**	**996**	**–**	**779**	**852,914**
Financing cash flows	**183,199**	**(2,757)**	**(569)**	**(22,477)**	**(26,623)**	**130,773**
Dividend declared	**–**	**–**	**–**	**22,477**	**–**	**22,477**
Dividend declared to non-controlling shareholders of subsidiaries	**–**	**2,757**	**–**	**–**	**–**	**2,757**
Exchange difference	**(7,467)**	**–**	**–**	**–**	**–**	**(7,467)**
Interest expenses	**–**	**–**	**–**	**–**	**26,664**	**26,664**
At 31st December, 2018	**1,023,671**	**3,200**	**427**	**–**	**820**	**1,028,118**

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

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of principal subsidiaries

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31.12.2018	31.12.2017	
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Rope Holdings Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$18,162,854 Non-voting deferred shares	**100%**	100%	Investment holding
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares**	**95%**	95%	Investment holding and sales of printing materials, spare parts and machines
Dongguan Steel Wealth Metal Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$18,000,000 Registered capital	**100%**	100%	Operating a decoiling centre
Dongguan Widehold Metal Company Limited	Wholly foreign owned enterprise	PRC	HK$10,000,000 Registered capital	**100%**	100%	Sales of metal products
Fulwealth Metal Factory Limited*	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**100%**	100%	Investment holding and operating a decoiling centre
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Concrete (HK) Limited	Incorporated	Hong Kong	HK$2,000,000 Ordinary shares	**100%**	100%	Sales of ready mixed concrete
Golik Concrete Supplies Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Sales of ready mixed concrete, and manufacturing and sales of other concrete products
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of warehouse services
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK$1,765,000 Ordinary shares HK$5,135,000 Non-voting deferred shares**	**100%**	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	**100%**	100%	Manufacturing and sales of reinforcing mesh and metal products, and reinforced bar processing

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

General information of principal subsidiaries *(continued)*

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group 31.12.2018	31.12.2017	Principal activities
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	PRC	HK$15,500,000 Registered capital	**100%**	100%	Manufacturing and sales of metal products
Supreme Enterprises, Limited	Incorporated	Hong Kong	HK$82,636 Ordinary shares	**100%**	100%	Property investment
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of construction materials
Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun")	Sino-foreign equity joint venture	PRC	RMB60,000,000 Registered capital	**70.5%**	70.5%	Manufacturing and sales of steel wire ropes for elevators and high-end wire rope products, and investment holding
鶴山恒基鋼絲制品有限公司	Wholly foreign owned enterprise	PRC	US$6,380,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire products and steel ropes
鶴山高力金屬制品有限公司	Sino-foreign equity joint venture	PRC	US$3,380,000 Registered capital	**100%**	100%	Manufacturing and sales of reinforcing mesh and metal products

* Subsidiaries held directly by the Company.

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

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

General information of principal subsidiaries *(continued)*

Note:

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

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

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

Principal activities of business	Principal place of incorporation	Number of subsidiaries	
		31.12.2018	31.12.2017
Investment holding	BVI	**5**	5
Investment holding	HK	**4**	3
Inactive	HK	**3**	3
Inactive	PRC	**2**	2
Others	HK	**2**	3
Others	PRC	**1**	1
		17	17

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

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

	2018 **HK$'000**	2017 HK$'000
Profit (loss) allocated to non-controlling interests of		
TJ Goldsun Group	**5,275**	6,119
Fulwealth Group (Note)	**–**	1,305
Individually immaterial subsidiaries	**(514)**	(967)
	4,761	6,457

	31.12.2018 **HK$'000**	31.12.2017 HK$'000
Accumulated non-controlling interests of		
TJ Goldsun Group	**70,560**	71,403
Individually immaterial subsidiaries	**(19,729)**	(19,215)
	50,831	52,188

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

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

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

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

TJ Goldsun Group

	31.12.2018 HK$'000	31.12.2017 HK$'000
Current assets	**307,668**	292,552
Non-current assets	**145,171**	147,565
Current liabilities	**(212,108)**	(196,528)
Equity attributable to owners of the TJ Goldsun Group	**170,171**	172,186
Non-controlling interests	**70,560**	71,403

	2018 HK$'000	2017 HK$'000
Revenue	**578,985**	436,293
Expenses	**(561,100)**	(415,551)
Profit attributable to owners of TJ Goldsun Group	**12,610**	14,623
Profit attributable to the non-controlling interests	**5,275**	6,119
Profit for the year	**17,885**	20,742
Other comprehensive (expense) income to owners of TJ Goldsun Group	**(8,037)**	11,033
Other comprehensive (expense) income to the non-controlling interests	**(3,361)**	4,617
Other comprehensive (expense) income for the year	**(11,398)**	15,650
Total comprehensive income attributable to owners of TJ Goldsun Group	**4,573**	25,656
Total comprehensive income attributable to the non-controlling interests	**1,914**	10,736
Total comprehensive income for the year	**6,487**	36,392
Dividend paid to non-controlling interests for the year	**(2,757)**	(3,410)
Net cash inflow from operating activities	**45,376**	29,254
Net cash outflow from investing activities	**(19,137)**	(12,592)
Net cash outflow from financing activities	**(10,299)**	(27,404)
Net cash inflow (outflow) for the year	**15,940**	(10,742)

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

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

Fulwealth Group

	For the period ended 28th April, 2017 HK$'000
Revenue	83,254
Expenses	(77,580)
Profit attributable to owners of Fulwealth Group	4,369
Profit attributable to the non-controlling interests	1,305
Profit for the period	5,674
Total comprehensive income attributable to owners of Fulwealth Group	4,369
Total comprehensive income attributable to the non-controlling interests	1,305
Total comprehensive income for the period	5,674
Dividend paid to non-controlling interests for the period	(1,150)
Net cash inflow from operating activities	6,984
Net cash inflow from investing activities	99
Net cash outflow from financing activities	(45,907)
Net cash outflow for the period	(38,824)

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31.12.2018 HK$'000	31.12.2017 HK$'000
Non-current Assets		
Property, plant and equipment	**1,611**	2,274
Investments in subsidiaries	**489,486**	489,486
Amounts due from subsidiaries	**41,484**	–
Available-for-sale investment (note 22)	**–**	4,173
Equity instrument at FVTOCI (note 23)	**3,292**	–
Insurance policy assets	**9,056**	8,610
Rental deposits	**1,577**	1,574
Deposits paid for acquisition of property, plant and equipment	**516**	516
	547,022	506,633
Current Assets		
Deposits, prepayment and other receivables	**523**	498
Amounts due from subsidiaries	**172,877**	195,188
Bank balances and cash	**1,960**	1,367
	175,360	197,053
Current Liabilities		
Accruals and other payables	**5,500**	3,852
Amounts due to subsidiaries	**154,640**	169,098
Financial guarantee contracts liabilities	**12,449**	18,866
	172,589	191,816
Net Current Assets	**2,771**	5,237
	549,793	511,870
Capital and Reserves		
Share capital	**56,192**	56,192
Reserves	**493,601**	455,678
	549,793	511,870

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

MOVEMENT OF RESERVES

	Share premium HK$'000	Contributed surplus HK$'000	Investment revaluation/ FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2017	316,466	65,891	3,384	103,699	489,440
Loss for the year	–	–	–	(9,264)	(9,264)
Other comprehensive income for the year					
Fair value gain on an available-for-sale investment	–	–	789	–	789
Total comprehensive income (expense) for the year	–	–	789	(9,264)	(8,475)
Dividend paid	–	–	–	(25,287)	(25,287)
At 31st December, 2017	316,466	65,891	4,173	69,148	455,678
Profit for the year	–	–	–	61,281	61,281
Other comprehensive income for the year					
Fair value loss on an equity instrument at FVTOCI	–	–	(881)	–	(881)
Total comprehensive (expense) income for the year	–	–	(881)	61,281	60,400
Dividend paid	–	–	–	(22,477)	(22,477)
At 31st December, 2018	**316,466**	**65,891**	**3,292**	**107,952**	**493,601**