

**GOLIK**  
HOLDINGS LIMITED

**2019**

**INTERIM REPORT**

Incorporated in Bermuda  
with limited liability  
Stock Code: 1118

**CORPORATE INFORMATION****BOARD OF DIRECTORS****Executive Directors**

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

**Independent Non-executive Directors**

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

**COMPANY SECRETARY**

Mr. HO Wai Yu, Sammy  
FCCA CPA MHKCS MHKSI

**AUDIT COMMITTEE**

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

**REMUNERATION COMMITTEE**

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

**REGISTERED OFFICE**

Clarendon House  
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Hamilton HM 11  
Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE  
OF BUSINESS**

Suite 6505, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

**AUDITOR**

Deloitte Touche Tohmatsu

**LEGAL ADVISORS**

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

**PRINCIPAL BANKERS**

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

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**INVESTOR RELATIONS CONSULTANT**

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**WEBSITE**

[www.golik.com](http://www.golik.com)

**STOCK CODE**

1118

## INTERIM RESULTS

The board of directors (the "Board") of Golik Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	NOTES	Six months ended 30th June, 2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	4	<b>1,338,948</b>	1,627,466
Cost of sales		<b>(1,183,926)</b>	(1,507,506)
Gross profit		<b>155,022</b>	119,960
Other income		<b>10,797</b>	6,238
Interest income		<b>1,228</b>	891
Selling and distribution costs		<b>(50,472)</b>	(50,729)
Administrative expenses		<b>(83,686)</b>	(86,375)
Reversal of impairment losses, net		<b>770</b>	776
Other gains and losses	5	<b>(98)</b>	(1,695)
Other expenses		<b>(15,974)</b>	(15,621)
Finance costs	6	<b>(21,296)</b>	(10,748)
– Interest on bank borrowings		<b>(14,450)</b>	(10,730)
– Interest on lease liabilities/ finance leases		<b>(6,846)</b>	(18)
Share of result of an associate		<b>59</b>	17
Loss before taxation		<b>(3,650)</b>	(37,286)
Income tax expenses	7	<b>(3,326)</b>	(409)
<b>Loss for the period</b>	8	<b>(6,976)</b>	(37,695)

	<i>NOTE</i>	<b>Six months ended 30th June,</b>	
		<b>2019</b>	2018
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive (expense) income:</b>			
<b>Items that may be subsequently reclassified to profit or loss:</b>			
– Exchange difference arising on translation of foreign operations		<b>(1,866)</b>	(3,949)
– 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
<b>Item that will not be reclassified to profit or loss:</b>			
– Fair value gain on an equity instrument at FVTOCI		<b>616</b>	1,238
Other comprehensive expense for the period		<b>(1,250)</b>	(2,672)
<b>Total comprehensive expense for the period</b>		<b>(8,226)</b>	(40,367)
(Loss) profit for the period attributable to:			
Shareholders of the Company		<b>(13,697)</b>	(39,824)
Non-controlling interests		<b>6,721</b>	2,129
		<b>(6,976)</b>	(37,695)
Total comprehensive (expense) income for the period attributable to:			
Shareholders of the Company		<b>(14,656)</b>	(41,884)
Non-controlling interests		<b>6,430</b>	1,517
		<b>(8,226)</b>	(40,367)
Loss per share	10	<b>(HK2.44 cents)</b>	(HK7.09 cents)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	NOTES	30th June, 2019 HK\$'000 (unaudited)	31st December, 2018 HK\$'000 (audited)
<b>Non-current Assets</b>			
Investment properties	11	4,130	4,130
Property, plant and equipment	11	497,215	500,771
Prepaid lease payments		–	12,643
Right-of-use assets		291,857	–
Interest in a joint venture		3,995	3,995
Amount due from a joint venture		–	1,153
Interest in an associate		–	–
Amount due from an associate		9,681	9,622
Equity instrument at FVTOCI		3,909	3,292
Insurance policy assets		12,721	12,295
Rental and other deposits	12	8,281	10,174
Deposits paid for acquisition of property, plant and equipment		607	1,330
Loan receivables	12	3,540	3,936
Time deposits		2,273	2,282
		<b>838,209</b>	<b>565,623</b>
<b>Current Assets</b>			
Inventories		496,129	617,773
Trade, bills, loan and other receivables	12	602,130	654,416
Prepaid lease payments		–	451
Income tax recoverable		6,540	5,000
Bank balances and cash		382,995	363,567
		<b>1,487,794</b>	<b>1,641,207</b>

	NOTES	30th June, 2019 HK\$'000 (unaudited)	31st December, 2018 HK\$'000 (audited)
<b>Current Liabilities</b>			
Trade and other payables	13	154,486	159,806
Contract liabilities		4,005	7,037
Lease liabilities		54,119	–
Dividend payable	9	11,238	–
Amounts due to non-controlling shareholders		3,200	3,200
Income tax payable		2,879	4,495
Bank borrowings	14	881,648	1,023,671
Obligations under finance leases		–	367
		<b>1,111,575</b>	<b>1,198,576</b>
<b>Net Current Assets</b>			
		<b>376,219</b>	<b>442,631</b>
		<b>1,214,428</b>	<b>1,008,254</b>
<b>Capital and Reserves</b>			
Share capital	15	56,192	56,192
Share premium and reserves		852,832	878,726
Equity attributable to shareholders of the Company		909,024	934,918
Non-controlling interests		54,573	50,831
<b>Total Equity</b>			
		<b>963,597</b>	<b>985,749</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		23,185	22,445
Lease liabilities		227,646	–
Obligations under finance leases		–	60
		<b>250,831</b>	<b>22,505</b>
		<b>1,214,428</b>	<b>1,008,254</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Mainland China statutory reserve HK\$'000 (Note a)	Asset revaluation reserve HK\$'000	Investment revaluation/ FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31st December, 2017 (audited)	56,192	316,466	30,624	26,668	635	4,134	(21,186)	651,592	1,065,125	52,188	1,117,313
Adjustment	-	-	-	-	-	-	-	(3,986)	(3,986)	-	(3,986)
At 1st January, 2018 (restated)	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 period	-	-	-	-	-	-	-	(39,824)	(39,824)	2,129	(37,695)
<b>Other comprehensive (expense) income for the period</b>											
Exchange difference arising on translation of foreign operations	-	-	(3,337)	-	-	-	-	-	(3,337)	(612)	(3,949)
Fair value gain on an equity instrument at FVTOCI	-	-	-	-	-	1,238	-	-	1,238	-	1,238
Fair value gain on a debt instrument of 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 period	-	-	(3,337)	-	-	1,277	-	(39,824)	(41,884)	1,517	(40,367)
Dividend declared (note 9)	-	-	-	-	-	-	-	(16,858)	(16,858)	-	(16,858)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,811)	(2,811)
At 30th June, 2018 (unaudited)	56,192	316,466	27,287	26,668	635	5,411	(21,186)	590,924	1,002,397	50,894	1,053,291
(Loss) profit for the period	-	-	-	-	-	-	-	(44,958)	(44,958)	2,632	(42,326)
<b>Other comprehensive expense for the period</b>											
Exchange difference arising on translation of foreign operations	-	-	(14,783)	-	-	-	-	-	(14,783)	(2,749)	(17,532)
Fair value loss on an equity instrument at FVTOCI	-	-	-	-	-	(2,119)	-	-	(2,119)	-	(2,119)
Total comprehensive expense for the period	-	-	(14,783)	-	-	(2,119)	-	(44,958)	(61,860)	(117)	(61,977)

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Mainland China statutory reserve HK\$'000 (Note a)	Asset revaluation reserve HK\$'000	Investment revaluation/ FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Dividend paid to the shareholders of the Company (note 9)	-	-	-	-	-	-	-	(5,619)	(5,619)	-	(5,619)
Dividend paid to non-controlling interests – exchange difference	-	-	-	-	-	-	-	-	-	54	54
Transfer between reserves	-	-	-	2,740	-	-	-	(2,740)	-	-	-
<b>At 31st December, 2018 (audited)</b>	<b>56,192</b>	<b>316,466</b>	<b>12,504</b>	<b>29,408</b>	<b>635</b>	<b>3,292</b>	<b>(21,186)</b>	<b>537,607</b>	<b>934,918</b>	<b>50,831</b>	<b>985,749</b>
(Loss) profit for the period	-	-	-	-	-	-	-	(13,697)	(13,697)	6,721	(6,976)
<b>Other comprehensive (expense) income for the period</b>											
Exchange difference arising on translation of foreign operations	-	-	(1,575)	-	-	-	-	-	(1,575)	(291)	(1,866)
Fair value gain on an equity instrument at FVTOCI	-	-	-	-	-	616	-	-	616	-	616
<b>Total comprehensive (expense) income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,575)</b>	<b>-</b>	<b>-</b>	<b>616</b>	<b>-</b>	<b>(13,697)</b>	<b>(14,656)</b>	<b>6,430</b>	<b>(8,226)</b>
Dividend declared (note 9)	-	-	-	-	-	-	-	(11,238)	(11,238)	-	(11,238)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,688)	(2,688)
<b>At 30th June, 2019 (unaudited)</b>	<b>56,192</b>	<b>316,466</b>	<b>10,929</b>	<b>29,408</b>	<b>635</b>	<b>3,908</b>	<b>(21,186)</b>	<b>512,672</b>	<b>909,024</b>	<b>54,573</b>	<b>963,597</b>

Notes:

- (a) Mainland China statutory reserve is a reserve required by the relevant laws in The People's Republic of China applicable to subsidiaries in Mainland China for enterprise development purposes.
- (b) Other reserve represented:
  - (i) adjustments arising from acquisition of additional interest in a subsidiary of HK\$150,000 and deemed disposal of part of its interest in a subsidiary of HK\$599,000.
  - (ii) adjustments arising from acquisition of additional interest in a subsidiary of HK\$8,820,000.
  - (iii) deemed contribution arising from waiver of amount due to a former non-controlling shareholder of HK\$621,000 incidental to acquisition of additional interest in a subsidiary during the year ended 31st December, 2011, as set out in note (b)(ii) to the condensed consolidated statement of changes in equity.
  - (iv) adjustments arising from acquisition of additional interest in a subsidiary of HK\$12,238,000 during the year ended 31st December, 2017 which transferred from non-controlling interests upon the exercise of a put option by non-controlling shareholders.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>224,835</b>	<b>(41,614)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(15,731)</b>	(19,145)
Deposits paid for acquisition of property, plant and equipment	<b>(41)</b>	(3,002)
Payments for rental deposit	<b>(338)</b>	–
Proceed from redemption of a debt instrument at FVTOCI	–	5,044
Repayment from a joint venture	<b>1,153</b>	3,914
Proceeds from disposal of property, plant and equipment	<b>217</b>	127
Other investing cash flows	<b>1,382</b>	1,159
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(13,358)</b>	<b>(11,903)</b>
<b>FINANCING ACTIVITIES</b>		
Trust receipt loans raised	<b>488,685</b>	938,976
Bank loans raised	<b>375,133</b>	175,731
Repayment of trust receipt loans	<b>(751,798)</b>	(887,013)
Repayment of bank loans	<b>(253,407)</b>	(154,449)
Interest paid on bank borrowings	<b>(14,290)</b>	(11,777)
Interest paid on lease liabilities/finance leases	<b>(7)</b>	(18)
Dividend paid to non-controlling interests of subsidiaries	<b>(2,688)</b>	(2,811)
Repayment of lease liabilities/obligations under finance leases	<b>(33,217)</b>	(326)
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(191,589)</b>	<b>58,313</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,888</b>	<b>4,796</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>363,567</b>	<b>383,167</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>(460)</b>	<b>(828)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
represented by bank balances and cash	<b>382,995</b>	<b>387,135</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

**1. GENERAL**

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”).

**2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

**3. PRINCIPAL ACCOUNTING POLICIES**

The condensed 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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2019 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2018.

**Application of new and amendments to HKFRSs and an interpretation**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group’s condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which results in changes in accounting policy and amounts reported as described below.

## 3.1 Impacts and changes in accounting policies upon application of HKFRS 16 Leases

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

### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

#### **Definition of a lease**

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

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### **As a lessee**

##### Allocation of consideration to components of a contract

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

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

##### Short-term leases

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

### Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

### Refundable rental deposits

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

## Lease liabilities

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

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

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

Lease modifications

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

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

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

Taxation

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

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

**As a lessor**Allocation of consideration to components of a contract

Effective on 1st January, 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

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

## 3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

### Definition of a lease

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

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

### As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognized lease liabilities of HK\$308,803,000 and right-of-use assets of HK\$322,754,000 at 1st January, 2019.

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

A reconciliation between operating lease commitments disclosed based on HKAS 17 as at 31st December, 2018 and lease liabilities recognized in the Group's condensed consolidated statement of financial position as at the date of initial application, 1st January, 2019, is as follows:

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

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



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

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

*Notes:*

- (a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$868,000 was adjusted to refundable rental deposits paid and right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1st January, 2019 amounting to HK\$416,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$367,000 and HK\$60,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019.
- (c) Upfront payments for leasehold land in the Mainland China were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$451,000 and HK\$12,643,000 respectively were reclassified to right-of-use assets.

**As a lessor**

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

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

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were not adjusted to reflect the discounting effect at transition since the impact of the discounting effect was insignificant.

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

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

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30th June, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

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

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

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

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 has had no impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

## **4. REVENUE AND SEGMENT INFORMATION**

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

Information reported to the Chairman and the 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 printing materials and others are aggregated and presented as other operations.

The following is an analysis of the Group's revenue and results by reportable segment for the period under review:

## For the six months ended 30th June, 2019 (unaudited)

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	555,368	769,232	1,324,600	14,348	-	1,338,948
Inter-segment sales	3,510	1,084	4,594	-	(4,594)	-
<b>Total</b>	<b>558,878</b>	<b>770,316</b>	<b>1,329,194</b>	<b>14,348</b>	<b>(4,594)</b>	<b>1,338,948</b>
<b>SEGMENT RESULT</b>						
	<b>36,698</b>	<b>(9,831)</b>	<b>26,867</b>	<b>(2,714)</b>	<b>457</b>	<b>24,610</b>
Unallocated other income						881
Unallocated corporate expenses						(7,904)
Finance costs						(21,296)
- Interest on bank borrowings						(14,450)
- Interest on lease liabilities/finance leases						(6,846)
Share of result of an associate						59
Loss before taxation						(3,650)

## For the six months ended 30th June, 2018 (unaudited)

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	546,556	1,065,297	1,611,853	15,613	-	1,627,466
Inter-segment sales	2,192	3	2,195	-	(2,195)	-
<b>Total</b>	<b>548,748</b>	<b>1,065,300</b>	<b>1,614,048</b>	<b>15,613</b>	<b>(2,195)</b>	<b>1,627,466</b>
<b>SEGMENT RESULT</b>						
	<b>19,429</b>	<b>(33,132)</b>	<b>(13,703)</b>	<b>(3,405)</b>	<b>543</b>	<b>(16,565)</b>
Unallocated other income						801
Unallocated corporate expenses						(10,791)
Finance costs						(10,748)
- Interest on bank borrowings						(10,730)
- Interest on lease liabilities/finance leases						(18)
Share of result of an associate						17
Loss before taxation						(37,286)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the gross profit generated or loss 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, finance costs and share of result of an associate. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

## Revenue from major products

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

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Metal products	555,368	546,556
Building construction materials		
– Concrete products	118,602	160,495
– Construction steel and other construction products	650,630	904,802
Others	14,348	15,613
	<u>1,338,948</u>	<u>1,627,466</u>

## Geographical information

The Group's revenue from external customers by geographical location of the customers is detailed below:

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Hong Kong	749,876	1,035,283
Mainland China	545,210	536,446
Macau	15,038	33,598
Others	28,824	22,139
	<u>1,338,948</u>	<u>1,627,466</u>

All the revenue of the Group is recognised at a point in time.

## 5. OTHER GAINS AND LOSSES

	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI (note 17)	–	(19)
Gain on disposal of property, plant and equipment	<b>113</b>	23
Net exchange loss	<b>(211)</b>	(1,699)
	<b>(98)</b>	(1,695)

## 6. FINANCE COSTS

	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total interest on bank borrowings	<b>14,450</b>	11,526
Less: amounts capitalised in the cost of qualifying assets	–	(796)
Interest on bank borrowings	<b>14,450</b>	10,730
Interest on lease liabilities	<b>6,846</b>	–
Interest on finance leases	–	18
Interest on lease liabilities/finance leases	<b>6,846</b>	18
Total finance costs	<b>21,296</b>	10,748

## 7. INCOME TAX EXPENSES

	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
The charge comprises:		
Current period		
Hong Kong Profits Tax	<b>838</b>	3,256
Mainland China Enterprise Income Tax	<b>5,111</b>	3,093
Withholding tax paid for distributed profits in the Mainland China	<b>322</b>	338
	<b>6,271</b>	6,687
Overprovision in prior years		
Hong Kong Profits Tax	-	-
Mainland China Enterprise Income Tax	<b>(3,685)</b>	(3,728)
	<b>(3,685)</b>	(3,728)
Deferred tax		
	<b>740</b>	(2,550)
	<b>3,326</b>	409

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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Chinese subsidiaries is 25%. In addition, a Chinese subsidiary of the Company was qualified as "Hightech Enterprise" in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2016. Another Chinese 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 Chinese entities held by companies incorporated in certain places, including Hong Kong and Singapore, preferential tax rate of 5% will be applied according to The People's Republic of China tax regulations if such companies are the beneficial owner of over 25% of these Chinese entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Chinese entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 30th June, 2019 and 2018, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

**8. LOSS FOR THE PERIOD**

	<b>Six months ended 30th June,</b>	
	<b>2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>

Loss for the period has been arrived at after charging (crediting):

Amortisation of prepaid lease payments	–	234
Depreciation of property, plant and equipment	<b>18,135</b>	20,157
Depreciation of right-of-use assets	<b>30,216</b>	–
Reversal of write-down of inventories (included in cost of sales)	<b>(18,801)</b>	(19)
	<b>18,135</b>	20,157
	<b>30,216</b>	–
	<b>(18,801)</b>	(19)

**9. DIVIDEND**

During the current period, a final dividend of HK2 cents per share in respect of 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 (six months ended 30.6.2018: cash dividend of HK3 cents per share in respect of the year ended 31st December, 2017) was declared. The aggregate amount of the final dividend payable in the current period amounted to HK\$11,238,000 (six months ended 30.6.2018: HK\$16,858,000).

The Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2019 (six months ended 30.6.2018: cash dividend of HK1 cent per share).

**10. LOSS PER SHARE**

The calculation of the basic loss per share is based on the loss for the period attributable to the shareholders of the Company of HK\$13,697,000 (six months ended 30.6.2018: HK\$39,824,000) and 561,922,500 (six months ended 30.6.2018: 561,922,500) ordinary shares in issue during the period.

No diluted loss per share for both periods was presented as there were no potential ordinary shares in issue as at both period ends.

**11. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT**

The fair value of the Group's investment properties as at 30th June, 2019 has been arrived at on the basis of a valuation carried out on 31st December, 2018 by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. In the opinion of the directors, there is no significant change in the fair value of the investment properties between 31st December, 2018 and 30th June, 2019.

During the current period, the Group acquired property, plant and equipment of HK\$15,814,000 (six months ended 30.6.2018: HK\$23,658,000) in order to expand its manufacturing capabilities.

During the current period, the Group disposed of property, plant and equipment with aggregate carrying amount of HK\$104,000 (six months ended 30.6.2018: HK\$104,000).



## 12. RENTAL AND OTHER DEPOSITS, TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	<b>30th June, 2019</b>	31st December, 2018
	<b>HK\$'000</b>	HK\$'000
Trade and bills receivables, net	<b>545,540</b>	594,790
Prepayments, deposits and other receivables, net	<b>64,086</b>	69,048
Loan receivables, net	<b>4,325</b>	4,688
	<b>613,951</b>	668,526
Analysed for reporting purpose as:		
Current assets	<b>602,130</b>	654,416
Non-current assets – Loan receivables, net	<b>3,540</b>	3,936
Non-current assets – Rental and other deposits	<b>8,281</b>	10,174
	<b>613,951</b>	668,526

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

Trade and bills receivables, net of allowance for credit loss, 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:

	<b>30th June, 2019</b>	31st December, 2018
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>271,424</b>	266,436
31 – 60 days	<b>138,686</b>	192,664
61 – 90 days	<b>64,375</b>	78,168
91 – 120 days	<b>32,182</b>	25,301
More than 120 days	<b>38,873</b>	32,221
	<b>545,540</b>	594,790

The Group rebutted the presumption of default under ECL for trade receivables over 90 days past due based on the good repayments records of those customers and continuous business with the Group. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default, loss given default and exposure of default. Large number of small customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward-looking estimates.

## 13. TRADE AND OTHER PAYABLES

	<b>30th June, 2019</b>	31st December, 2018
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>71,223</b>	67,979
Accruals, deposits received and other payables	<b>83,263</b>	91,827
	<b><u>154,486</u></b>	<u>159,806</u>

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

	<b>30th June, 2019</b>	31st December, 2018
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>45,639</b>	40,506
31 – 60 days	<b>15,753</b>	18,414
61 – 90 days	<b>4,517</b>	4,179
91 – 120 days	<b>3,445</b>	2,143
More than 120 days	<b>1,869</b>	2,737
	<b><u>71,223</u></b>	<u>67,979</u>

## 14. BANK BORROWINGS

During the current period, the Group raised bank loans and trust receipt loans of HK\$375,133,000 and HK\$488,685,000 (six months ended 30.6.2018: HK\$175,731,000 and HK\$938,976,000) respectively, and repaid bank loans and trust receipt loans of HK\$253,407,000 and HK\$751,798,000 (six months ended 30.6.2018: HK\$154,449,000 and HK\$887,013,000) respectively. All new bank borrowings raised during the current period are unsecured and with corporate guarantee from group companies. The bank borrowings at the end of the reporting period bear interest at market rates with effective borrowing rates ranging from 1.63% to 6.63% (31.12.2018: 2.36% to 6.63%) per annum.

## 15. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2018, 30th June, 2018, 31st December 2018 and 30th June, 2019	<b>1,800,000,000</b>	180,000
Issued and fully paid:		
At 1st January, 2018, 30th June, 2018, 31st December 2018 and 30th June, 2019	<b>561,922,500</b>	56,192

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

## 16. CAPITAL COMMITMENTS

	30th June, 2019 <i>HK\$'000</i>	31st December, 2018 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>511</b>	1,622

**17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**

**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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000		
Equity instrument at FVTOCI	3,909	3,292	Level 1	Quoted bid prices from a trading platform market

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

**18. 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:

	30th June, 2019 HK\$'000	31st December, 2018 HK\$'000
Construction in progress	<b>81,084</b>	81,084

## 19. RELATED PARTY DISCLOSURES

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

	Interest income		Sub-licence fee	
	Six months ended 30th June, 2019	2018	Six months ended 30th June, 2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
An associate	<u>218</u>	<u>209</u>	<u>5,616</u>	<u>5,400</u>

The gross amount due from an associate of HK\$14,000,000 (31.12.2018: HK\$14,000,000), which is unsecured, carries interest at 2% below the best lending rate as quoted by the Hongkong and Shanghai Banking Corporation Limited per annum and is repayable in 2025, the gross amount due from an associate of HK\$5,250,000 (31.12.2018: HK\$5,250,000), which is unsecured, interest-free and is repayable in 2021, and the amount due from a joint venture of Nil (31.12.2018: HK\$1,153,000, which was unsecured, interest-free and is not expected to be repaid within the next twelve months from the end of the reporting period), are disclosed in the condensed consolidated statement of financial position.

### Compensation of key management personnel

During the period, the Group's remuneration paid to the directors, the key management personnel of the Group, are as follows:

	Six months ended 30th June,	
	2019	2018
	HK\$'000	HK\$'000
Short-term employee benefits	<u>9,377</u>	<u>10,238</u>
Post-employment benefits	<u>255</u>	<u>243</u>
	<u>9,632</u>	<u>10,481</u>

## **BUSINESS REVIEW**

Metal products and building construction materials represent the two major core businesses during the period under review.

For the six months ended 30th June, 2019, the Group's total revenue was HK\$1,338,948,000, representing a decrease of 18% over the same period last year. The decrease in revenue was mainly due to the unsatisfactory performance of the building construction materials business during the period.

After deducting the profit attributable to non-controlling interests, the loss attributable to shareholders of the Company was HK\$13,697,000, representing an improvement over the same period last year.

The Board has resolved not to declare an interim dividend.

### **Metal Products**

The business mainly comprises of processing of steel coils, manufacturing and sales of steel wires and steel wire rope products in the Mainland. Revenue for the period was HK\$558,878,000, representing an increase of 2% as compared with the same period last year. Profit before interest and tax was HK\$36,698,000, representing an increase of 89% over the same period last year.

The increase in profit of metal products business was mainly due to the good performance of the elevator wire rope products during the period. The newly installed capacity at the beginning of the year started to actualise in the second quarter. The sales and performance of the elevator wire rope reached a new high during the period. In addition, the newly developed high-end lifting wire rope products started to contribute gross profit, we expect the Group's steel wire rope products to achieve another new record in this year.

At present, the market demand for elevator wire rope products remains strong, and the Group has further invested to increase its production capacity and expected that the new capacity can start to contribute in the second quarter of next year.

### **Building Construction Materials**

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

Revenue for the period was HK\$770,316,000, representing a decrease of 28% as compared with the same period last year, and the loss before interest and tax was HK\$9,831,000.

During the period, the building construction materials business continued to be affected by the industry downturn and its performance was not satisfactory. Although the Hong Kong SAR Government has released nearly HK\$200 billion of public works projects in the last financial year, demand for materials will only start to come into view after the first year and the progress is slower than expected. This will not drive the recovery of the construction industry in the short term. In this adverse environment, the Group is more cautious and shall focus on the business continuity and the overall stability of various business units, whilst taking on more cost and expense management initiatives to minimise the impact of the current downturn on the Group. In the long run, residential and infrastructure works are indispensable for the betterment of people's livelihood. Also, the Government's annual expenditure on public works is expected to reach HK\$200 billion in the future. With this in mind, the Group's building construction materials business remains promising.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2019, the total bank balances and cash of the Group amounted to HK\$382,995,000 (31st December, 2018: HK\$363,567,000). As at 30th June, 2019, the current ratio (current assets to current liabilities) of the Group was 1.34:1 (31st December, 2018: 1.37:1).

As at 30th June, 2019, the total bank borrowings of the Group amounted to HK\$881,648,000 (31st December, 2018: HK\$1,023,671,000). After including obligations under finance leases in lease liabilities of HK\$178,000 (31st December, 2018: obligations under finance leases of HK\$427,000), the total borrowings of the Group amounted to HK\$881,826,000 (31st December, 2018: HK\$1,024,098,000).

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 period, there was no material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 30th June, 2019 was 561,922,500 (31st December, 2018: 561,922,500).

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

As at 30th June, 2019, the equity attributable to the shareholders of the Company amounted to HK\$909,024,000 (31st December, 2018: HK\$934,918,000).

As at 30th June, 2019, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.52:1 (31st December, 2018: 0.67:1).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30th June, 2019, the total number of staff of the Group was 1,559. 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**

The Group is confident about the prospects of its two core businesses.

Although the building construction materials business in Hong Kong is still facing great challenges in the short term, especially the recent social events, political disputes are likely to affect the approval and launch of various public works projects of the Government, which may cast a shadow over the current sluggish recovery of the construction industry. However, in the Mainland, the prospects of the high-end steel wire rope business, including the elevator wire rope, are encouraging and it is expected that the performance will reach a new record in this year.

The management is confident that with the dedicated efforts of the team, the Group's performance for the year will be significantly improved as compared to last year, with the hope that the Group's overall performance will be restored to bring return to shareholders next year.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30th June, 2019, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:



## (1) Long position

### *Shares of the Company*

Name of directors	Number of ordinary shares			Percentage of issued shares
	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Total	
Mr. Pang Tak Chung <i>(Note 1)</i>	159,034,708 <i>(Note 2)</i>	195,646,500 <i>(Note 3)</i>	354,681,208 <i>(Note 4)</i>	63.12%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Lau Ngai Fai	100,000 <i>(Note 5)</i>	–	100,000	0.02%

*Notes:*

- The 195,646,500 shares are held by Golik Investments Ltd. which is wholly owned by Mr. Pang Tak Chung.
- Subsequent to the allotment of 4,893,374 new shares by the Company pursuant to its scrip dividend scheme on 31st July, 2019, Mr. Pang Tak Chung had personal interest in 163,928,082 shares, representing approximately 28.54% of the number of issued shares in the Company as at the date of this report.
- Subsequent to the allotment of 6,019,892 new shares by the Company pursuant to its scrip dividend scheme on 31st July, 2019, Mr. Pang Tak Chung had corporate interest in 201,666,392 shares, representing approximately 35.11% of the number of issued shares in the Company as at the date of this report.
- As disclosed in Notes 2 and 3 above, subsequent to the allotment of 10,913,266 new shares by the Company pursuant to its scrip dividend scheme on 31st July, 2019, Mr. Pang Tak Chung had personal and corporate interest in 365,594,474 shares, representing approximately 63.65% of the number of issued shares in the Company as at the date of this report.
- Subsequent to the allotment of 3,076 new shares by the Company pursuant to its scrip dividend scheme on 31st July, 2019, Mr. Lau Ngai Fai had personal interest in 103,076 shares, representing approximately 0.02% of the number of issued shares in the Company as at the date of this report.

### *Share options*

The share option scheme was adopted by the Company at the annual general meeting on 5th June, 2014. It will be valid for 10 years until 4th June, 2024. During the period, no share option had been granted under the said share option scheme.

**(2) Shares in subsidiaries**

As at 30th June, 2019, Mr. Pang Tak Chung had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 30th June, 2019, none of the directors and chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the period, 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.

**SUBSTANTIAL SHAREHOLDER**

As at 30th June, 2019, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

**Long position in shares of the Company**

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued shares</b>
Golik Investments Ltd.	195,646,500 <i>(Note)</i>	34.82%

*Note:*

Subsequent to the allotment of 6,019,892 new shares by the Company pursuant to its scrip dividend scheme on 31st July, 2019, Golik Investments Ltd. had interest in 201,666,392 shares, representing approximately 35.11% of the number of issued shares in the Company as at the date of this report.

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 30th June, 2019, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CORPORATE GOVERNANCE

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 Listing Rules. The Company has complied with code provisions as set out in the CG Code throughout the six months ended 30th June, 2019 except the followings:

Code provision A.2.1, the Company does not separate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung currently holds both positions. As 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.

## CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors’ information since the date of 2018 Annual Report of the Company are set out below:

With effect from 1st March, 2019,

1. the monthly salary of Mr. Pang Tak Chung, Chairman of the Company, has been increased by HK\$10,000.
2. the monthly salary of Mr. Ho Wai Yu, Sammy, Vice Chairman of the Company, has been increased by HK\$10,000.
3. the monthly salary of Ms. Pang Wan Ping, Executive Director of the Company, has been increased by HK\$4,000.
4. the monthly salary of Mr. Lau Ngai Fai, Executive Director of the Company, has been increased by HK\$5,000.

## **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. The Audit Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2019. The financial information contained in this interim report is unaudited, the disclosure of which has complied with Appendix 16 to the Listing Rules.

## **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. The Remuneration Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

## **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 as set out in 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 as set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30th June, 2019.

## **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 six months ended 30th June, 2019.

## ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude to all staff and management of the Group for their hard work and contribution in the past. I would also like to thank all our shareholders, customers, bankers and business associates for their continuous support to the Group. I look forward to achieving better results in the second half of the year with the concerted efforts of all staff.

By Order of the Board

**Pang Tak Chung**

*Chairman*

Hong Kong, 28th August, 2019