GOLIK

HOLDINGS LIMITED

2021 ANNUAL REPORT

Incorporated in Bermuda
with limited liability

Stock Code: 1118

45 YEARS 1977-2022

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Mr. PANG Tak Chung MH *(Chairman)*
Mr. HO Wai Yu, Sammy *(Vice Chairman)*
Ms. PANG Wan Ping *(Chief Executive Officer)*
(chief executive officer appointment effective 1st January, 2022)
Mr. PANG Chi To
(appointment effective 1st August, 2021)
Mr. LAU Ngai Fai
(resignation effective 1st July, 2021)

Independent Non-executive Directors
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

COMPANY SECRETARY
Mr. HO Wai Yu, Sammy
FCCA CPA MHKCS MHKSI

AUDIT COMMITTEE
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

REMUNERATION COMMITTEE
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

NOMINATION COMMITTEE
Mr. PANG Tak Chung MH *(Chairman)*
(appointment effective 30th December, 2021)
Mr. YU Kwok Kan, Stephen
(appointment effective 30th December, 2021)
Mr. CHAN Yat Yan
(appointment effective 30th December, 2021)
Mr. HAI Tuen Tai, Freddie
(appointment effective 30th December, 2021)

REGISTERED OFFICE
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Suite 6505, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

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

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Secretaries Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE
www.golik.com

STOCK CODE
1118

INVESTOR RELATION
ir@golik.com

FINANCIAL SUMMARY

For the year ended 31st December, — RESULTS

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Revenue	2,742,207	3,087,200	2,803,735	2,991,068	**4,053,908**
Profit (loss) before taxation	69,168	(78,195)	14,396	141,304	**249,096**
Income taxes	(20,279)	(1,826)	(5,945)	(23,659)	**(27,553)**
Profit (loss) for the year	48,889	(80,021)	8,451	117,645	**221,543**
Profit (loss) for the year attributable to:					
Shareholders of the Company	42,432	(84,782)	(6,233)	93,545	**197,584**
Non-controlling interests	6,457	4,761	14,684	24,100	**23,959**
	48,889	(80,021)	8,451	117,645	**221,543**

At 31st December, — ASSETS AND LIABILITIES

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Total assets	2,367,938	2,206,830	2,358,997	2,446,006	**3,147,841**
Total liabilities	(1,250,625)	(1,221,081)	(1,389,410)	(1,340,574)	**(1,840,778)**
Net assets	1,117,313	985,749	969,587	1,105,432	**1,307,063**
Equity attributable to shareholders of the Company	1,065,125	934,918	908,435	1,016,887	**1,193,866**
Non-controlling interests	52,188	50,831	61,152	88,545	**113,197**
Total equity	1,117,313	985,749	969,587	1,105,432	**1,307,063**

BUSINESS PROFILE

METAL PRODUCTS

High-performance Wire Rope

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

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

Steel Coil Processing Centre in
Dongguan, Guangdong, Mainland China

BUILDING CONSTRUCTION MATERIALS

Steel Distribution

Supply of Ready Mixed Concrete

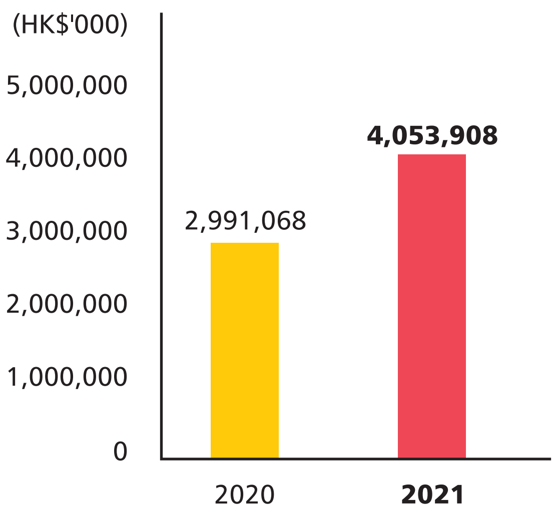
Steel Distribution

Supply of Ready Mixed Concrete

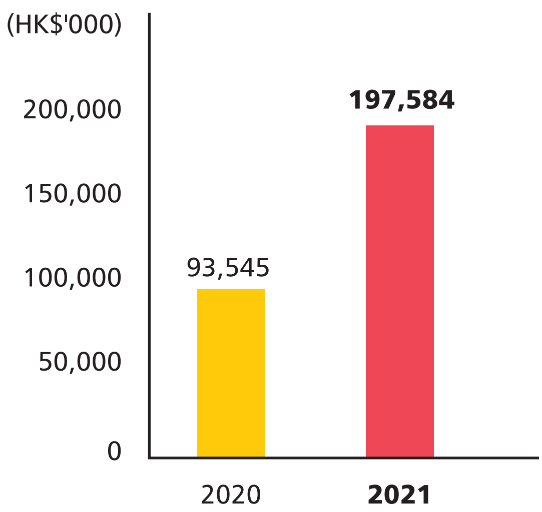
Automated Cut-and-bend Rebars Processing Plant in Tai Po, Hong Kong

FINANCIAL HIGHLIGHTS

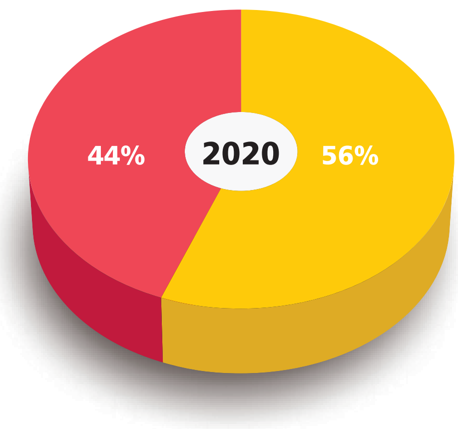
Revenue for the years ended 31st December, 2020 and 2021



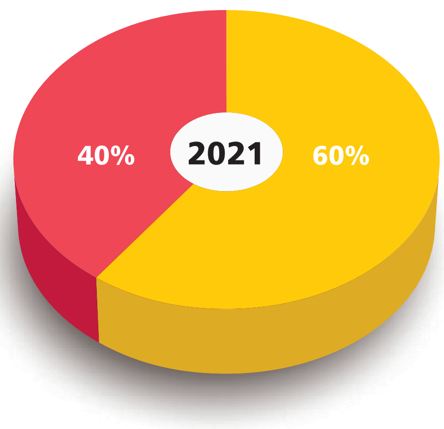
Profit for the year attributable to shareholders of the Company for the years ended 31st December, 2020 and 2021



Revenue by operating segments for the years ended 31st December, 2020 and 2021



- Metal products **44%**
- Building construction materials **56%**



- Metal products **40%**
- Building construction materials **60%**
- Other operation **0%**

CHAIRMAN'S STATEMENT

This year marks the 45th anniversary of the founding of the Group (1977-2022), and I would like to take this opportunity to express my heartfelt gratitude to our shareholders, banks, business partners and customers who have been supporting us through years of thick and thin. I would also like to thank our management and staff who have devoted themselves to the development of the Group along the way.

Pang Tak Chung MH
Chairman

BUSINESS REVIEW

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

For the year ended 31st December, 2021, the Group's total revenue was approximately HK$4,053,908,000, representing an increase of 36% compared to last year.

The increase in revenue was mainly attributable to (i) a more average growths in the two major core businesses; and (ii) an increase in prices of various commodities, including steel prices.

After the deduction of profit attributable to non-controlling interests, profit attributable to the Company amounted to approximately HK$197,584,000, representing an increase of 111% compared to last year.

The significant increase in profit was mainly attributable to the inclusion of a special gain on disposal of the steel coil processing business in Mainland China during the year. Excluding the gain from such disposal, the Group's normal business profit for the year still increased by approximately 2% compared to last year.

During the year under review, the Group's business continued to face adverse factors such as the Covid-19 pandemic, supply chain and logistics disruptions, and significant fluctuations in commodity prices. Especially in the second half of the year, the surge in the cost of raw materials put great pressure on the gross profit margin of various businesses.

CHAIRMAN'S STATEMENT

With rigorous cost control and all-round efforts, the Group's operating revenue and profit both recorded growths and hit new highs in such challenging macro environment, achieving promising results for the year.

Metal Products

The business mainly consists of steel wires and steel wire rope products manufactured in Tianjin, Heshan and Jiangmen in Mainland China.

Revenue for the year was approximately HK$1,618,359,000, an increase of 22% compared to last year. Profit before interest and taxation amounted to approximately HK$122,228,000, representing a decrease of 12% compared to last year.

Mainland China's effective Covid-19 pandemic control measures and the strength of its complete industrial chain have enabled the overall economy of Mainland China to have its stability and resilience maintained. The Group's steel wires and steel wire rope business in Mainland China continued to develop steadily with stable business growth. However, as raw material costs rose significantly during the year, the Group was unable to effectively shift the additional costs of most of the products to its customers, thus affecting gross profit margins. Through effective cost control and increased production scale, the Group was able to reduce various fixed costs and minimize the impact of the sharp rise in raw material costs against revenues accordingly.

The steel coil processing business used to be one of the Group's main businesses, mainly supplying high-quality imported steel coil raw materials to exporters in the Pearl River Delta. With the abolition of the "processing of imported materials" policy in Mainland China a decade ago and the significant improvement in the quality of domestic steel coil in recent years, the Group realized that the future of the steel coil processing business was uncertain and increased its efforts preferably in developing steel wire products in recent years. After years of efforts, the steel wire business has matured and the Group believes it is the right time to withdraw from the steel coil processing business in Mainland China and focus its resources and efforts on further development of steel wire products.

The disposal of the Group's steel coil business in Mainland China to an independent third party was completed during the year.

The steel coil processing center in Tai Po Industrial Estate, Hong Kong will be retained to serve customers in Hong Kong and the Group is exploring the upgrading and transformation of the processing center such that it will continue to provide good revenue returns for the Group's metal products business.

Building Construction Materials

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

Revenue for the year was approximately HK$2,441,607,000, an increase of 46% compared to last year. Profit before interest and taxation was approximately HK$67,223,000, representing an increase of 47% compared to last year.

CHAIRMAN'S STATEMENT

Benefiting from the recovery of the construction industry in Hong Kong, the overall performance of the Group's building construction materials business in Hong Kong remained strong despite affecting by unfavorable factors such as the Covid-19 pandemic and the significant increase in raw material costs during the year. This, coupled with the fact that the reinforced bar processing business was supported by the government and recognized by the market and started to bring in revenue contributions, which resulted in steady growth in revenue and profit of the building construction materials business during the year.

With a number of major infrastructure projects such as the Northern Metropolis, Lantau Tomorrow and North East New Territories developments, as well as the urgent demand for residential housing in Hong Kong, the construction industry in Hong Kong will have a long-term prosperity in the future. As one of the Hong Kong's major suppliers of building construction materials, the Group will definitely benefit and the outlook of building construction materials is optimistic.

"Green building", a new concept in the construction industry, is also a social responsibility and an inevitable trend of the construction industry. The Group is also committed to promoting the development of its building construction materials business towards "green building construction materials". By understanding the impact of its business on the environment, searching for and developing environmentally friendly building construction materials, and actively cooperating with various government departments to apply for "green certification", the Group will contribute to the building of a better and sustainable social environment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2021, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to approximately HK$672,722,000 (31st December, 2020: approximately HK$403,092,000). As at 31st December, 2021, current ratio (current assets to current liabilities) for the Group was 1.49:1 (31st December, 2020: 1.49:1).

As at 31st December, 2021, the total borrowings of the Group amounted to approximately HK$1,245,786,000 (31st December, 2020: approximately HK$691,766,000).

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

CAPITAL STRUCTURE

The number of the Company's ordinary shares in issue as at 31st December, 2021 was 574,378,128 (31st December, 2020: 574,378,128).

As at 31st December, 2021, the equity attributable to the shareholders of the Company amounted to approximately HK$1,193,866,000 (31st December, 2020: approximately HK$1,016,887,000).

As at 31st December, 2021, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.44:1 (31st December, 2020: 0.26:1).

CHAIRMAN'S STATEMENT

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2021, the total number of staff of the Group was 1,505. 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 business environment is expected to remain unstable in 2022, with the challenges and uncertainties of last year not only continuing but intensifying. The new wave of Covid-19 outbreaks has further depressed the economies of Mainland China and Hong Kong, and the tightening of pandemic control measures has once again caused disruption in the supply chain and logistics. A large number of construction projects in Hong Kong have been brought to a semi-standstill, significantly slowing down the progress of the projects and affecting the Group's building construction materials business in the first half of the year. In addition to the Covid-19 pandemic, geopolitical tensions have once again caused commodity prices to fluctuate, putting pressure on raw material costs.

The Group will continue to take a prudent approach in dealing with the current challenges and make every effort to ensure the sustainable development of its businesses. The Group expects all aspects of business pressure to ease in the second half of the year. It is hoped that through the unremitting efforts of the management and staff, we can continue to create a good performance for the Group in the coming year.

ACKNOWLEDGEMENT

This year marks the 45th anniversary of the founding of the Group (1977-2022), and I would like to take this opportunity to express my heartfelt gratitude to our shareholders, banks, business partners and customers who have been supporting us through years of thick and thin. I would also like to thank our management and staff who have devoted themselves to the development of the Group along the way. Without your support and dedication, the Group could not have achieved its present success. I hope that the Group will continue to receive your support in the future and that the Group's business will reach new heights. I wish you all good health!

Pang Tak Chung MH
Chairman

Hong Kong, 30th March, 2022

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Tak Chung MH, aged 73, has been an executive director of the Company since 1996, currently is the chairman of the Company and the Group and the chairman of the nomination committee of the Company. Mr. Pang is the founder of Golik Metal Industrial Company Limited ("Golik Metal") in 1977, a director and the sole shareholder of the Company's major shareholder Golik Investments Ltd. and personally also a substantial shareholder of the Company, he is responsible for overall strategic planning and business move of the Group. Mr. Pang currently is a honorary citizen in both Jiangmen and Heshan of Guangdong Province, he was awarded a Medal of Honor by the Hong Kong Government in 2019. Mr. Pang has over 46 years' experience in the trading and manufacturing industry in Hong Kong and the Mainland China, he also has extensive experience in international trading practices. Mr. Pang is the father of Ms. Pang Wan Ping and Mr. Pang Chi To, both are executive directors of the Company.

Mr. Ho Wai Yu, Sammy, aged 66, has been an executive director of the Company since 1996, currently is the vice chairman and company secretary of the Company and the finance director of the Group, he is responsible for finance, accounting, information technology development, legal and corporate matters of the Group. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, a full member of the Hong Kong Computer Society, an ordinary member of the Hong Kong Securities and Investment Institute and a founder and permanent honorable president of the IT Accountants Association. He has over 41 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Ms. Pang Wan Ping, aged 44, has been an executive director of the Company since 2013, currently is the chief executive officer of the Group. Ms. Pang is also a director of the Company's major shareholder Golik Investments Ltd., she is responsible for overseeing core business units of the Group on their overall managements each respectively, coordinating various activities among the Group's operations, identifying new project and looking after its development. Ms. Pang holds a Bachelor of Architecture Degree, a Master Degree of Commerce majoring in Finance and a Master Degree of Legal Studies, all graduated 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 currently is a member of the Chinese People's Political Consultative Conference Tianjin Municipal Committee. Ms. Pang joined the Company in 2009 and has over 19 years' experience in property development and construction industry. Prior to the Group, she worked at Goodman Group in Australia as a Registered Architect in the property development division. Ms. Pang is the daughter of Mr. Pang Tak Chung MH, the chairman of the Company and the Group, and the sister of Mr. Pang Chi To, an executive director of the Company.

Mr. Pang Chi To, aged 45, has been an executive director of the Company since 2021, currently is the chief technology officer of the Group, he is responsible for reviewing new plant and machinery purchases, coordinating technical specialists for relevant maintenance work and obtaining latest information regarding steel/metal value added production process technology/methodology from time to time for the Group, furthermore, he also looks after several member business operations of the Group. Mr. Pang holds a Bachelor of Engineering (Mechanical) from the University of Sydney, Australia. In Hong Kong, he is a member in Industry & Technology Committee of the Hong Kong General Chamber of Commerce and a director in General Committee of the Hong Kong Metal Merchants Association, further in Mainland China, he is a member in Hong Kong Liaison Group of the Chinese People's Political Consultative Conference Heshan City Municipal Committee, also an executive president in Council Committee and the president in Youth Committee both of the Jiangmen Association of Enterprises with Foreign Investment.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang joined as a sales engineer in the Group's welded wire mesh division early in 2001, since then he worked in different business units particularly in the areas to study, update, recommend and coordinate procurement, installation and maintenance work for major machineries and equipment for the Group's steel/metal value added production process, he has over 20 years' experience and exposure in the industrial plants and machineries aspect. Mr. Pang is the son of Mr. Pang Tak Chung MH, the chairman of the Company and the Group, and the brother of Ms. Pang Wan Ping, an executive director of the Company.

Mr. Yu Kwok Kan, Stephen, aged 66, has been an independent non-executive director of the Company since 1997, currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Yu holds a Bachelor of Commerce Degree from the University of New South Wales, he is a Certified Practising Accountant in Australia and a senior consultant of an Australia company Hoi's & Co Pty Ltd. He has over 41 years' advisory experience on taxation in Australia, Hong Kong and Mainland China.

Mr. Chan Yat Yan, aged 66, has been an independent non-executive director of the Company since 2004, currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Chan holds a MBA from the University of Macau, he is the general manager of Modern Marketing Limited in Hong Kong. He has extensive knowledge and experience in the Mainland China market, formerly held senior management positions respectively in corporate management, marketing and corporate communication with various multi-national corporations with Fortune 500 companies included in their operations in Mainland China for many years and achieved accomplishments, corporations then served included BBDO of Omnicom Group, H.J. Heinz, Time Warner and the World Gold Council.

Mr. Hai Tuen Tai, Freddie, aged 54, has been an independent non-executive director of the Company since 2021, currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Hai holds a Degree of Bachelor of Science (Hons) Architecture, Planning, Building & Environmental Studies and Post-graduate Diploma of Architecture, both graduated from the Bartlett School of Architecture, University College London, London University, United Kingdom. He is a Registered Architect and Authorized Person (Architect) in Hong Kong and a Registered Architect under PRC Class 1 Registered Architect Qualification in Mainland China. He is a member of the Hong Kong Institute of Architects in Hong Kong, a chartered member of the Royal Institute of British Architects in United Kingdom and a LEED accredited professional of the Green Business Certification Incorporation in United States. Mr. Hai has served in various posts with the Hong Kong Institute of Architects since 2005, currently a deputy chairman of its Board of Local Affairs. He is a director of Rocco Design Architects Associates Limited in Hong Kong. He has over 27 years' experience and exposure in the architectural field.

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, 2021 except the followings:

Code provision A.2.1 (which has been re-numbered as code provision C.2.1 since 1st January, 2022) of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Pang Tak Chung MH had been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group. Effective on 1st January, 2022, Ms. Pang Wan Ping ("Ms. Pang") was appointed by the Board as the chief executive officer of the Group. Following the appointment of Ms. Pang, the Company has complied with code provision A.2.1 of the CG Code.

Code provision A.5.1 (which has been re-numbered as code provision B.3.1 since 1st January, 2022) of the CG Code stipulates that nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties. The Company did not have a nomination committee since the establishment of the Group. Effective on 30th December, 2021, a nomination committee has been established by the Board. Since then, the Company has complied with code provision A.5.1 of the CG Code.

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, 2021.

THE BOARD

The Board currently comprises four executive directors and three independent non-executive directors. The members of the Board during the year and up to the date of this report are:

Executive Directors
Mr. Pang Tak Chung MH *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Ms. Pang Wan Ping *(Chief Executive Officer)*
Mr. Pang Chi To (appointment effective 1st August, 2021)
Mr. Lau Ngai Fai (resignation effective 1st July, 2021)

Independent Non-executive Directors
Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Hai Tuen Tai, Freddie (appointment effective 16th June, 2021)
Mr. Lo Yip Tong (resignation effective 27th March, 2021)

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

CORPORATE GOVERNANCE REPORT

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

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

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

TRAINING AND SUPPORT FOR DIRECTORS

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The company secretary from time to time reports latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime and arranges suitable trainings related to the roles, functions and responsibilities of the directors. The Company encourages all directors to attend external courses for knowledge strengthened relating to the director's roles and responsibilities of a listed company, and course fee for which could be reimbursable fully upon applied.

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

Name	Attending seminar(s) or programme(s)/ reading relevant materials
Executive Directors	
Mr. Pang Tak Chung MH	✓
Mr. Ho Wai Yu, Sammy	✓
Ms. Pang Wan Ping	✓
Mr. Pang Chi To (appointment effective 1st August, 2021)	✓
Mr. Lau Ngai Fai (resignation effective 1st July, 2021)	✓
Independent Non-executive Directors	
Mr. Yu Kwok Kan, Stephen	✓
Mr. Chan Yat Yan	✓
Mr. Hai Tuen Tai, Freddie (appointment effective 16th June, 2021)	✓
Mr. Lo Yip Tong (resignation effective 27th March, 2021)	✓

CORPORATE GOVERNANCE REPORT

TERMS OF NON-EXECUTIVE DIRECTORS

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

The Company has entered into service contracts with the directors (including non-executive directors) which set out key terms and conditions relative to their appointments. All of them have agreed and accepted with the terms and conditions under their respective service contracts. The service contracts of all non-executive directors are on an annual renewable basis.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 1st January, 2022, the role of the chairman and chief executive officer are held separately by Mr. Pang Tak Chung MH and Ms. Pang Wan Ping. The chairman is responsible for overall strategic planning and business move of the Group. The chief executive officer is responsible for overseeing core business units of the Group on their overall managements each respectively, coordinating various activities among the Group's operations, identifying new project and looking after its development.

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.

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 Hai Tuen Tai, Freddie who are all independent non-executive directors. The audit committee shall meet at least twice a year to review the Group's financial reporting process and internal controls.

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

REMUNERATION COMMITTEE

The Company established its remuneration committee on 21st April, 2005 with written terms of reference which are in line with the CG Code and available on the Company's website. In order to comply with the requirements under the CG Code, a majority of the members of remuneration committee has to be independent non-executive directors. Currently, the remuneration committee comprises Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan and Hai Tuen Tai, Freddie 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, 2021.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established its nomination committee on 30th December, 2021 with written terms of reference which are in line with 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 nomination committee has to be independent non-executive directors. Currently, the nomination committee comprises one executive director, Mr. Pang Tak Chung MH and three independent non-executive directors, Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan and Hai Tuen Tai, Freddie. Mr. Pang Tak Chung MH is the chairman of the nomination committee.

The nomination committee shall meet at least once a year to review the structure, size, diversity profile and skills set of members of the Board against its needs and make recommendation on the composition of the Board to achieve the Group's corporate strategy as well as promote shareholder value. It identifies suitable director candidates and selects or makes recommendation to the Board on the appointment or re-appointment of directors and succession planning of directors. Furthermore, it also assesses the independence of independent non-executive directors having regard to the criteria under the Listing Rules and reviews the director Nomination Policy and the Board Diversity Policy periodically and makes recommendation on any proposed revisions to the Board.

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 (which has been re-numbered as code provision B.3.4 since 1st January 2022) of the CG Code;
- 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.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2021

Name	Number of Meetings attended/held during the year				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting (established on 30th December, 2021)	Annual General Meeting
Executive Directors					
Mr. Pang Tak Chung MH	4/4	N/A	N/A	N/A	1/1
Mr. Ho Wai Yu, Sammy	4/4	N/A	N/A	N/A	1/1
Ms. Pang Wan Ping	4/4	N/A	N/A	N/A	1/1
Mr. Pang Chi To (appointment effective 1st August, 2021)	2/2	N/A	N/A	N/A	N/A
Mr. Lau Ngai Fai (resignation effective 1st July, 2021)	2/2	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1	N/A	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1	N/A	1/1
Mr. Hai Tuen Tai, Freddie (appointment effective 16th June, 2021)	2/2	2/2	1/1	N/A	N/A
Mr. Lo Yip Tong (resignation effective 27th March, 2021)	1/1	1/1	N/A	N/A	N/A

DIVIDEND POLICY

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

An effective risk management is integral to developing the strategy that drives business objectives of the Group. The Board provides oversight of the risk management process. With the implement a top-down and company-wide risk management and internal control systems that covers every aspect of the business, the risk management process is incorporated into the daily operations. All employees are reminded to stay vigilant to potential risks in the operations. The Board evaluates impacts of the potential risks in order to identify and pay attention to major risks in the business. The risk management and internal control systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute assurance against material misstatement or loss.

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

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

Delegation of management functions

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

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

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

Handling and dissemination of inside information
The Group complies with requirements of Securities and Futures Ordinance ("SFO") and the Listing Rules to formulate an inside information guideline on handling inside information and reminded the directors and employees about compliance with the guideline which is enforced in the staff handbook. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties which may materially affect the trading price or volume of the shares on the market. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact which requires equal disclosure of both positive and negative facts.

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

For the year ended 31st December, 2021, 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, 2021, the fees paid/payable to the principal auditor of the Company, Deloitte Touche Tohmatsu ("Deloitte"), in respect of audit and non-audit services provided by Deloitte were as follows:

Nature of services	**Amount** HK$'000
Audit fee for 2021 final results	2,377
Audit service fee for Occupational Retirement Schemes	8
Total fees	2,385

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

The procedures for sending enquiries to the Board

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Golik Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to present our Environmental, Social and Governance ("ESG") performance report (the "Report") for the year 2021. This Report details our continuous effort in our Group's ESG journey as we continue to aspire to be a positive contributor to our communities, our society and our environment.

Board Statement

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

Sustainability is embedded in our corporate strategy and engrained in our organisational culture. This principle underpins our business objectives and actions to promote good governance and business processes in our day-to-day operations. Under the direction of the Board, the Group's sustainability policies and practices for our four material ESG aspects have been formulated and aligned with our desired standards. The Group considers sustainability as a direction for our long-term development.

Through our conscious and deliberate participation in a variety of initiatives and activities, the Group aims to continuously improve on our sustainable performance in a manner that is accountable to all our stakeholders.

Sustainability Governance Structure

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

Reporting Period

This Report covers our ESG performance in our Hong Kong and Mainland China operations from 1st January, 2021 to 31st December, 2021 with figure of previous years.

Reporting Framework

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

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

Stakeholders' Engagement

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

STAKEHOLDER GROUPS

Shareholders and Investors	Employees	Suppliers	Customers	Community Groups and NGOs	Media
• Annual General Meetings • Annual and Interim Results Press Releases • Announcements and Circulars • One-on-one Meetings • Website	• Training Sessions • Team-building Activities • Newsletters	• Screening and Assessments	• Customer Service Hotlines • Screening and Assessments • Surveys	• Community Events • Social Media	• Press Releases • Website

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders' Feedback

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

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

Environmental Performance

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

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 2021, we collected and measured the environmental figures from plants located in Hong Kong that may have sustainability concern to our shareholders. The findings are summed up in following paragraphs and also in the company performance and data table.

Air and Greenhouse Emissions

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

The emissions generated by selected plants are carbon emissions and these are distinguished into direct (Scope 1) and indirect (Scope 2) carbon emissions. The total direct and indirect carbon emissions for the financial year 2021 was 1,910 tonnes of CO_2e, which increased by 1.38% compared to year 2020. The total direct and indirect carbon emissions (Scope 1&2) per production volume was 0.0052 tonne of CO_2e, while year 2020 was 0.0053 tonne of CO_2e, which demonstrated a slight decrease of the total carbon emissions of 1.89% compared to year 2020. Other emissions figures are: nitrogen oxides (NOx) emission was 6.14 tonnes, which decreased by 4.95% compared to year 2020. Sulfur oxides (SOx) emission was 6.4 kgs, which decreased by 40.35% compared to year 2020 and particulate matter (PM) emission was 441.6 kgs, which decreased by 4.88% compared to year 2020.

Hazardous and Non-hazardous Waste

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

For financial year 2021, the total quantity of chemical waste was 0.8 tonne, which is 0.0022 tonne per production volume and bears the same figure as year 2020. The total quantity of non-hazardous waste produced was 9,396 tonnes which is 0.025 tonne per production volume and decreased by 14.31% compared to year 2020. 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.

Use of Resources

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

Electricity and water supply to the Group is mainly purchased from the government. For financial year 2021, the total electricity consumption for the selected plants was 1,322,390 kWh, increased by 10.38% compared to year 2020. The electricity consumption was 3.57 kWh per production volume which bears the same figure as year 2020. The total water consumption was 83,303 m^3, which is 0.22 m^3 per production volume. Despite the water consumption was increased by 12.63%, the consumption per production volume was the same as year 2020.

We also implement green manufacturing approach for our ready mixed concrete operation in which we aim to maximise our resources efficiency and actively recycle waste water during its production process. Furthermore, we continue to conduct periodic energy audit for our plants in order for us to formulate and adopt measures on energy conservation and emission reduction so we can consume the energy in a more efficient and effective manners.

An effective administrative control has been taken to prevent unnecessary use of electricity and energy in all production activities that raise awareness of electricity conservation among our staff. The energy consumption intensity was found 3.57 kWh in 2021, maintaining at the same consumption intensity level as year 2020. We will continue to reduce any necessary use of electricity consumption and implement more energy saving ideas.

During the reporting period, the Group did not encounter any issue in sourcing water that is fit for purpose. The total freshwater consumption intensity was 0.22 m^3 (cubic meters per production unit), which maintained at the same consumption intensity as year 2020. The water supply in the certain plant was totally provided by the property owners; thus, it was not available for consumption calculation during the reporting period. The company is conscientious in water conservation as it is one of the most precious natural resources on earth. We strive on the utilizing of the treated water in plant daily cleaning and truck washing activities in order to minimize the use of fresh water.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environment and Natural Resources

The Group is committed to pursue a high standard of environmental management throughout its operations and strive for continual improvement of environmental performance. The Group also seeks to comply with applicable environmental laws, regulations and mandatory standards locally or to the relevant country. The Group will continue to target to minimise or prevent adverse environmental impacts resulting from its operations, products and services. By integrating green manufacturing and green concept in our daily operations, the Group will make sure the environmental impacts will be at its lowest and continue to strive to be a responsible global citizen.

Climate Change

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

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

Employment and Labour Practices

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

As of 31st December, 2021, the total workforce of the Group was 1,505 (2020: 1,629) employees for our Hong Kong and Mainland China operations. Due to the nature of our businesses, majority of our employees are male employees, accounted to 84% of our total employees. During the reporting period, the total employee turnover rate was 28% (2020: 21%), which is higher than previous year.

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.

Employment and Labour Practices *(continued)*

HUMAN CAPITAL PROFILE

The Group	Number of Employees **1,505**		
By Business Segment	Metal Products **1,117**	Building Construction Materials **388**	
By Employment Type	Permanent **1,017**	Temporary **488**	
By Gender	Male **1,260**	Female **245**	
By Employee Category	Managerial **109**	Supervisory **81**	General **1,315**
By Age Group	30 or Below **230**	31-50 **937**	51 or Above **338**
By Region	Hong Kong **268**	Mainland China **1,237**	

EMPLOYMENT TURNOVER RATE

The Group	Number of Employees **440 (28%)**		
By Gender	Male **402 (30%)**	Female **38 (16%)**	
By Age Group	30 or Below **109 (36%)**	31-50 **252 (27%)**	51 or Above **79 (25%)**
By Region	Hong Kong **77 (29%)**	Mainland China **363 (28%)**	

Health and Safety

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

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

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

There were no work-related fatalities occurred in the past three years including the reporting year. The number of days lost due to work injury recorded by the Group was 3,292 days during the reporting period, there were no record of serious work injuries or death.

LOST DAYS DUE TO WORK INJURY

Development and Training

The Group encourages our employees to develop and advance their careers in our company. We also actively promote continuous learning initiatives and develop a range of training programs for our employees. The offering of trainings comprised of educational events and course on most various topics related to job-specific as well as practices at the workplace. Apart from that, the group provides induction training and continuous internal training for employees at all levels in the hope of helping them adapt to the ever-changing business environment through life-long learning.

During the reporting period, 1,345 (89%) employees in our Group received training. The Group provided a total of approximately 31,000 hours of different kinds of training to those relevant employees and the average training hours completed per employee during the reporting period was 23 hours.

Development and Training *(continued)*

DEVELOPMENT AND TRAINING

The Group	Number of Employees **1,345 (89%)**		
By Gender	Male **1,166 (93%)**	Female **179 (73%)**	
By Employee Category	Managerial **73 (67%)**	Supervisory **55 (68%)**	General **1,217 (93%)**

AVERAGE TRAINING HOURS COMPLETED

By Gender	Male **23**	Female **23**	
By Employee Category	Managerial **38**	Supervisory **27**	General **22**

Labour Standards

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Supply Chain Management

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

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

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

SUPPLIERS BY GEOGRAPHICAL REGION

Mainland China	Hong Kong	Singapore	Taiwan	Germany	Others
478	**62**	**7**	**4**	**3**	**11**

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Product Responsibility

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

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

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

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

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

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

Anti-corruption

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Community Investment

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

Over the past few years, we continued to sponsor and promote young athletes in Hong Kong. In financial year 2021, despite epidemic situation of Covid-19 in Hong Kong and the closure of sports fields and games – we continued to sponsor 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 held strong belief that young athletes is our future and that they played a vital role in the future of Hong Kong – bringing positive energy and spirit to our younger generations.

Company Performance and Data Table

Item	HKEx Indicator	Year 2021	Year 2020
Emissions data			
Nitrogen oxides (NOx) emission (tonnes)	A1.1	6.14	6.46
Sulfur oxides (SOx) emission (kgs)	A1.1	6.40	10.73
Particulate matter (PM) emission (kgs)	A1.1	441.60	464.28
Carbon emissions			
Total direct and indirect carbon emissions (tonnes of CO_2e)	A1.2	1,910	1,884
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonnes of CO_2e)	A1.2	0.0052	0.0053
Hazardous waste			
Chemical waste produced (tonnes)	A1.3	0.80	0.80
Total hazardous waste produced per production volume (tonnes)	A1.3	0.0022	0.0021
Non-hazardous waste			
Solid waste produced (tonnes)	A1.4	9,396	10,965
Total non-hazardous waste produced per production volume (tonnes)	A1.4	0.025	0.029
Resources consumption			
Electricity consumption (kWh)	A2.1	1,322,390	1,197,990
Electricity consumption per production volume (kWh)	A2.1	3.57	3.57
Water consumption (m^3)	A2.2	83,303	73,961
Water consumption per production volume (m^3)	A2.2	0.22	0.22

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Content Index of Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
A. ENVIRONMENTAL		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Air and Greenhouse Emissions (page 24)
KPI A1.1	The types of emissions and respective emissions data.	Air and Greenhouse Emissions (page 24) Company Performance and Data Table (page 32)
KP1 A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Air and Greenhouse Emissions (page 24) Company Performance and Data Table (page 32)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-hazardous Waste (page 25) Company Performance and Data Table (page 32)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-hazardous Waste (page 25) Company Performance and Data Table (page 32)
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air and Greenhouse Emissions (page 24)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Hazardous and Non-hazardous Waste (page 25)
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Performance (page 24) Use of Resources (page 25)
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources (page 25) Company Performance and Data Table (page 32)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources (page 25) Company Performance and Data Table (page 32)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources (page 25)

Content Index of Environmental, Social and Governance Report *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
A. ENVIRONMENTAL *(continued)*		
Aspect A2: Use of Resources *(continued)*		
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources (page 25)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources (page 25)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources (page 26)
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources (page 26)
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change (page 26)
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change (page 26)
B. SOCIAL		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Practices (page 26)
KPI B1.1	Total workforce by gender, employment type (for example, full- or part- time), age group and geographical region.	Employment and Labour Practices (page 26) Human Capital Profile (page 27)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices (page 26) Employment Turnover Rate (page 27)

Content Index of Environmental, Social and Governance Report *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL *(continued)*		
Employment and Labour Practices *(continued)*		
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety (page 28)
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety (page 28)
KPI B2.2	Lost days due to work injury.	Health and Safety (page 28) Lost Days due to Work Injury (page 28)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety (page 28)
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training (page 28)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training (page 28 and 29)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training (page 28 and 29) Average Training Hours Completed (page 29)
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards (page 29)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards (page 29)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards (page 29)

Content Index of Environmental, Social and Governance Report *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL *(continued)*		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management (page 30)
KPI B5.1	Number of suppliers by geographical region.	Suppliers by Geographical Region (page 30)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management (page 30)
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management (page 30)
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management (page 30)
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility (page 31)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (page 31)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility (page 31)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility (page 31)
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility (page 31)
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility (page 31)

Content Index of Environmental, Social and Governance Report *(continued)*

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL *(continued)*		
Operating Practices *(continued)*		
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption (page 31)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption (page 31)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption (page 31)
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption (page 31)
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment (page 32)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment (page 32)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment (page 32)

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries, a joint venture and an associate are set out in notes 44, 20 and 21 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49.

An interim dividend of HK2 cents per share, amounting to approximately HK$11,488,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK3 cents per share and a special dividend of HK5 cents per share to the shareholders whose names appear on the register of members of the Company on 22nd June, 2022, total amounting to approximately HK$45,950,000.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$39,948,000. In addition, property, plant and equipment with carrying values of approximately HK$4,653,000 were disposed and written-off of during the year.

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

SHARE CAPITAL AND SHARE OPTIONS

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2021 were as follows:

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**117,465**	107,333
	183,356	173,224

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

Executive Directors

Mr. Pang Tak Chung MH *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Ms. Pang Wan Ping *(Chief Executive Officer)*
Mr. Pang Chi To (appointment effective 1st August, 2021)
Mr. Lau Ngai Fai (resignation effective 1st July, 2021)

Independent Non-executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Hai Tuen Tai, Freddie (appointment effective 16th June, 2021)
Mr. Lo Yip Tong (resignation effective 27th March, 2021)

In accordance with Bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Ho Wai Yu, Sammy, Pang Chi To and Hai Tuen Tai, Freddie will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31st December, 2021, 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, 2021, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(1) Long position

Shares of the Company

	Number of ordinary shares			
Name of directors	**Personal interest (held as beneficial owner)**	**Corporate interests (held by controlled corporation)**	**Total**	**Percentage of issued shares**
Mr. Pang Tak Chung MH (Note a)	163,928,082	201,666,392	365,594,474	63.65%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Lau Ngai Fai (Note b)	103,076	–	103,076	0.02%

Notes:

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

(b) Mr. Lau Ngai Fai resigned as executive director with effect from 1st July, 2021.

Share options

No share option was outstanding as at 1st January, 2021 and 31st December, 2021. As at the date of this annual report, the total number of share options available for issue under the share option scheme was 574,378,128, representing 10% of the issued share capital of the Company. Particulars of the share option scheme of the Company are set out in note 33 to the consolidated financial statements.

(2) Shares in subsidiaries

As at 31st December, 2021, Mr. Pang Tak Chung MH had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 31st December, 2021, none of the directors and chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the year, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations.

DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDER

As at 31st December, 2021, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Number of ordinary shares held	Percentage of issued shares
Golik Investments Ltd.	201,666,392	35.11%

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 31st December, 2021, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 48% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 18% of the Group's total purchases for the year.

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

DIRECTORS' REPORT

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to approximately HK$913,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of Environmental, Social and Governance Report of the Group are set out on pages 22 to 37 of this annual report.

CONNECTED TRANSACTIONS

Transactions with an associate are disclosed as related party transactions in note 39 to the consolidated financial statements of the annual report, which do not fall under the definition of connected transaction, or were fully exempt under Chapter 14A of the Listing Rules and thus are not disclosed here.

AUDITOR

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

On behalf of the Board

Pang Tak Chung MH
Chairman

Hong Kong, 30th March, 2022

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 49 to 148, which comprise the consolidated statement of financial position as at 31st December, 2021, 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, 2021, 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 judgement, 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 expected credit losses ("ECL") of trade receivables	
We identified the estimated 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, the management assesses trade debtors with significant balances that are credit-impaired individually and the remaining trade receivables using collective assessment with reference to loss patterns as reflected in the debtors' historical payment pattern taking into consideration of quantitative, qualitative and forward-looking information that is reasonable and supportable available without undue costs or effort. As at 31st December, 2021, the carrying amount of trade receivables was HK$781,724,000 (net of impairment losses of HK$41,378,000).	Our procedures in relation to assessing the appropriateness of the impairment losses under ECL model included: • Obtaining an understanding of methodologies and assumptions made in determining the default rates for ECL assessment of trade debtors using collective assessment and individually for trade debtors with significant balances that are credit-impaired; • Evaluating the reasonableness of default rates adopted by checking to debtor's historical losses experiences as reflected in the debtors' historical payment pattern; • Evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated against entity-specific information and market data; and • Testing the integrity and arithmetic accuracy of the assessment made by the 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, the contracted or latest selling prices of steel products and estimated costs of completion and costs necessary to make the sale. 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, 2021, the carrying amount of inventories was HK$760,901,000 (net of write-down of inventories of HK$40,283,000).	Our procedures in relation to assessing the appropriateness of the write-down of inventories included: • Understanding the methodologies used in relation to the identification of obsolete and slow-moving inventories and measurement of the write-down of inventories; • Tracing the ageing categories, and the usages/sales of inventories during the year and subsequent to the end of the reporting period, to the invoices, production reports and delivery notes, on a sample basis; • Checking the calculation of net realisable values of inventories by reference to contracted/invoice prices in subsequent sales or the market prices with estimated costs of completion and costs necessary to make the sale, on a sample basis, and performing retrospective review on the reasonableness of the estimation; and • Discussing with the management for the assumptions and judgement made in assessing net realisable values and evaluating the reasonableness of the management's assessment of usability and saleability of inventories with reference to historical record, quality and nature of the inventories.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAs, we exercise professional judgement 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in the independent auditor's report is Cheung Chung Yin Lawrence.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th March, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	**4,053,908**	2,991,068
Cost of sales		**(3,538,908)**	(2,495,197)
Gross profit		**515,000**	495,871
Other income	6	**42,296**	36,526
Selling and distribution costs		**(131,716)**	(134,609)
Administrative expenses		**(196,063)**	(165,078)
Reversal of (impairment losses) under expected credit losses ("ECL") model, net	7	**4,088**	(12,353)
Impairment losses on interest in an associate		**–**	(1,005)
Other gains and losses	8	**101,024**	(2,778)
Other expenses		**(58,218)**	(45,370)
Finance costs		**(27,130)**	(31,836)
– Interest on bank borrowings		**(15,831)**	(19,658)
– Interest on lease liabilities		**(11,299)**	(12,178)
Share of result of a joint venture		**(188)**	1,603
Share of result of an associate		**3**	333
Profit before taxation		**249,096**	141,304
Income taxes	9	**(27,553)**	(23,659)
Profit for the year	10	**221,543**	117,645
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		**17,436**	32,412
– Release from exchange reserve upon disposal/deregistration of subsidiaries		**(1,338)**	531
– Release from Mainland China statutory reserve upon deregistration of a subsidiary		**–**	(43)
Item that will not be reclassified to profit or loss:			
Fair value loss on an equity instrument at fair value through other comprehensive income ("FVTOCI")		**(1,599)**	(603)
Other comprehensive income for the year		**14,499**	32,297
Total comprehensive income for the year		**236,042**	149,942
Profit for the year attributable to:			
Shareholders of the Company		**197,584**	93,545
Non-controlling interests		**23,959**	24,100
		221,543	117,645
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**208,570**	119,940
Non-controlling interests		**27,472**	30,002
		236,042	149,942
		HK cents	HK cents
Basic earnings per share	14	**34.40**	16.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

	NOTES	31.12.2021 HK$'000	31.12.2020 HK$'000
Non-current Assets			
Property, plant and equipment	18	**491,559**	491,170
Right-of-use assets	19	**280,809**	262,785
Interest in a joint venture	20	**5,296**	5,484
Interest in an associate	21	**–**	–
Amount due from an associate	21	**367**	364
Equity instrument at FVTOCI	22	**2,119**	3,718
Insurance policy assets	23	**13,872**	13,294
Rental and other deposits	25	**8,376**	12,036
Deposits paid for acquisition of property, plant and equipment		**8,271**	4,921
Loan receivables	25	**1,639**	2,485
		812,308	796,257
Current Assets			
Inventories	24	**760,901**	444,521
Trade, bills, loan and other receivables	25	**899,800**	764,196
Income tax recoverable		**2,110**	467
Bank deposits with original maturity over three months	26	**–**	2,376
Bank balances and cash	26	**672,722**	403,092
		2,335,533	1,614,652
Assets classified as held for sale	16	**–**	35,097
		2,335,533	1,649,749
Current Liabilities			
Trade and other payables	27	**238,343**	331,058
Contract liabilities	28	**38,432**	24,510
Lease liabilities	29	**40,496**	47,299
Amounts due to non-controlling shareholders	30	**3,200**	3,200
Income tax payable		**6,062**	8,054
Bank borrowings	31	**1,245,786**	691,766
		1,572,319	1,105,887
Net Current Assets		**763,214**	543,862
		1,575,522	1,340,119

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2021

	NOTES	31.12.2021 HK$'000	31.12.2020 HK$'000
Capital and Reserves			
Share capital	32	**57,438**	57,438
Share premium and reserves		**1,136,428**	959,449
Equity attributable to shareholders of the Company		**1,193,866**	1,016,887
Non-controlling interests	44	**113,197**	88,545
Total Equity		**1,307,063**	1,105,432
Non-current Liabilities			
Deferred tax liabilities	34	**25,425**	20,880
Lease liabilities	29	**243,034**	213,807
		268,459	234,687
		1,575,522	1,340,119

The consolidated financial statements on pages 49 to 148 were approved and authorised for issue by the Board of Directors on 30th March, 2022 and are signed on its behalf by:

PANG TAK CHUNG MH
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2021

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Mainland China statutory reserve HK$'000 (Note a)	Asset revaluation reserve HK$'000	FVTOCI reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
As at 1st January, 2020	57,438	323,195	4,110	33,005	635	4,321	(21,186)	506,917	908,435	61,152	969,587
Profit for the year	–	–	–	–	–	–	–	93,545	93,545	24,100	117,645
Other comprehensive income (expense) for the year											
Exchange difference arising on translation of foreign operations	–	–	26,510	–	–	–	–	–	26,510	5,902	32,412
Deregistration of a subsidiary	–	–	531	(43)	–	–	–	–	488	–	488
Fair value loss on an equity instrument at FVTOCI	–	–	–	–	–	(603)	–	–	(603)	–	(603)
Total comprehensive income (expense) for the year	–	–	27,041	(43)	–	(603)	–	93,545	119,940	30,002	149,942
Dividends paid to the shareholders of the Company (note 13)	–	–	–	–	–	–	–	(11,488)	(11,488)	–	(11,488)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,609)	(2,609)
Disposal of investment properties	–	–	–	–	(635)	–	–	635	–	–	–
Transfer between reserves	–	–	–	5,788	–	–	–	(5,788)	–	–	–
As at 31st December, 2020	57,438	323,195	31,151	38,750	–	3,718	(21,186)	583,821	1,016,887	88,545	1,105,432
Profit for the year	–	–	–	–	–	–	–	197,584	197,584	23,959	221,543
Other comprehensive income (expense) for the year											
Exchange difference arising on translation of foreign operations	–	–	13,923	–	–	–	–	–	13,923	3,513	17,436
Disposal of subsidiaries	–	–	(1,338)	–	–	–	–	–	(1,338)	–	(1,338)
Fair value loss on an equity instrument at FVTOCI	–	–	–	–	–	(1,599)	–	–	(1,599)	–	(1,599)
Total comprehensive income (expense) for the year	–	–	12,585	–	–	(1,599)	–	197,584	208,570	27,472	236,042
Dividends paid to the shareholders of the Company (note 13)	–	–	–	–	–	–	–	(31,591)	(31,591)	–	(31,591)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,820)	(2,820)
Transfer between reserves	–	–	–	7,734	–	–	–	(7,734)	–	–	–
Transfer upon disposal of subsidiaries	–	–	–	(2,856)	–	–	–	2,856	–	–	–
At 31st December, 2021	**57,438**	**323,195**	**43,736**	**43,628**	**–**	**2,119**	**(21,186)**	**744,936**	**1,193,866**	**113,197**	**1,307,063**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2021

Notes:

(a) Mainland China statutory reserve is a reserve required by the relevant laws in Mainland China applicable to subsidiaries in Mainland China for enterprise development purposes.

(b) Other reserve represented:

 (i) adjustments arising from acquisition of additional interest in subsidiaries of HK$21,208,000 and deemed disposal of part of its interest in a subsidiary of HK$599,000.

 (ii) 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

	2021 HK$'000	2020 HK$'000 (restated)
OPERATING ACTIVITIES		
Profit before taxation	**249,096**	141,304
Adjustments for:		
Loss on disposal of property, plant and equipment	**1,147**	8,438
Gain on disposal of investment properties	**–**	(113)
Gain on disposal of subsidiaries	**(101,944)**	–
Gain on lease modification	**(572)**	(1,177)
Write-down of inventories	**17,527**	15,606
Depreciation of property, plant and equipment	**40,955**	36,079
Depreciation of right-of-use assets	**53,469**	60,788
Interest income	**(1,923)**	(3,232)
Finance costs	**27,130**	31,836
Share of result of a joint venture	**188**	(1,603)
Share of result of an associate	**(3)**	(333)
(Reversal of) impairment losses under ECL model, net	**(4,088)**	12,353
Operating cash flows before movements in working capital	**280,982**	299,946
(Increase) decrease in inventories	**(327,107)**	130,553
Increase in rental and other deposits, and trade, bills and other receivables	**(114,247)**	(114,872)
Increase in trade and other payables	**2,133,118**	983,963
Increase in contract liabilities	**13,411**	16,304
Cash generated from operations	**1,986,157**	1,315,894
Hong Kong Profits Tax paid	**(82)**	(1,575)
Hong Kong Profits Tax refunded	**389**	5,559
Taxation outside Hong Kong paid	**(33,177)**	(19,702)
Taxation outside Hong Kong refunded	**5,735**	2,890
NET CASH FROM OPERATING ACTIVITIES	**1,959,022**	1,303,066

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2021

	NOTE	2021 HK$'000	2020 HK$'000 (restated)
INVESTING ACTIVITIES			
Deposits received for disposal of subsidiaries		**–**	30,000
Proceeds from disposal of investment properties		**–**	4,133
Interest received		**1,609**	3,755
Net cash inflow on disposal of subsidiaries	35	**45,345**	–
Payment on tax arising from disposal of subsidiaries		**(5,250)**	–
Proceeds from disposal of property, plant and equipment		**3,506**	2,010
Repayment from an associate		**1,125**	1,250
Repayment of loan receivables		**805**	645
Purchase of property, plant and equipment		**(35,267)**	(45,751)
Deposits paid for acquisition of property, plant and equipment		**(7,996)**	(4,381)
Payments for rental deposits		**(2,926)**	(1,798)
Consideration for acquisition of further interest in an associate		**–**	(1,005)
Payments for insurance policy assets		**(578)**	(504)
Release of bank deposits with original maturity over three months		**2,376**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,749**	(11,646)
FINANCING ACTIVITIES			
Repayments of trust receipt loans		**(1,539,541)**	(958,248)
Repayments of bank loans		**(266,412)**	(455,135)
Repayments of lease liabilities		**(48,226)**	(54,666)
Interest paid		**(26,670)**	(32,246)
Dividends paid		**(31,591)**	(11,488)
Dividend paid to non-controlling interests		**(2,820)**	(2,609)
Bank loans raised		**199,364**	318,138
NET CASH USED IN FINANCING ACTIVITIES		**(1,715,896)**	(1,196,254)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**245,875**	95,166
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**422,881**	323,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,966**	4,452
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**672,722**	422,881
Represented by:			
Bank balances and cash		**672,722**	403,092
Bank balances and cash under assets held for sale		**–**	19,789
		672,722	422,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

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

2.1 Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures*.

As at 1st January, 2021, the Group has several bank borrowings amounted to HK$293,262,000 with the interests of which are indexed to Hong Kong Interbank Offered Rate ("HIBOR") and HK$262,091,000 with the interests of which are indexed to London Interbank Offered Rate ("LIBOR"). The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost, if the bank borrowings are transitioned to an alternative rate. Additional disclosures as required by HKFRS 7 are set out in note 41.

2.2 Impacts on application of the agenda decision of the Committee – *Cost necessary to sell inventories* (HKAS 2 *Inventories*)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the financial position and performance of the Group.

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

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

2.3 Impacts on application of the agenda decision of the Committee – *Supply chain financing arrangements*

In December 2020, the Committee, through its agenda decision, clarified how liabilities to pay for goods or services received and the related cash flows when the related invoices are part of supply chain financing arrangements should be presented in the statement of financial position and statement of cash flows. The Committee observed that an entity's assessment of the nature of the liabilities that are part of the supply chain financing arrangements may help in determining whether the related cash flows arise from operating or financing activities. Accordingly, the settlement of trade related payables directly by the relevant financiers which resulted in derecognition of the relevant liabilities constitute non-cash transactions and the entity's subsequent settlement with financiers should be considered as repayment of borrowings and presented under financing activities in the statement of cash flows.

Prior to the Committee's agenda decision, the Group presented the settlement of trade related payables directly by the relevant financiers as cash outflow on operating activities and cash inflow from financing activities. Following the adoption of the Committee's agenda decision, the management of the Group changed its accounting policies retrospectively by presenting the settlement of trade related payables directly by the relevant financiers as major non-cash transactions.

The application of the Committee's agenda decision resulted in the increase in net cash from operating activities by HK$2,156,605,000 and the increased in net cash used in financing activities by HK$2,156,605,000 for the year ended 31st December, 2021.

Comparative figures in consolidated statement of cash flows have been restated to conform with current year's presentation. Accordingly, the change in trade and other payables under operating activities for the year ended 31st December, 2020 has been restated from decrease in trade and other payables of HK$809,000 to increase in trade and other payables of HK$983,963,000 and the increase in trust receipt loans under financing activities for the year ended 31st December 2020 has been restated from HK$984,772,000 to Nil.

The reclassification has had no effect on reported profit or loss, total comprehensive income, financial position or equity for any period presented.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

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

2 Effective for annual periods beginning on or after 1st January, 2022.

3 Effective for annual periods beginning on or after 1st January, 2023.

4 Effective for annual periods beginning on or after a date to be determined.

Except for the 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.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* *(continued)*

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 *Definition of Accounting Estimates* is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

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

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

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* *(continued)*

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1st January, 2023, with early application permitted. As at 31st December, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$269,515,000 and HK$283,530,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37, the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application. Specifically, the amendments are applicable to the Group's assessment of onerous contracts in relation to remaining performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period on sales of goods.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for insurance policy assets and certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36 *Impairment of Assets*.

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's 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.

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

3.2 Significant accounting policies *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries (continued)

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 owners of the Company.

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

Goodwill

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

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

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

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

3.2 Significant accounting policies *(continued)*

Goodwill *(continued)*

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

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

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.

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

3.2 Significant accounting policies *(continued)*

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

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

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

3.2 Significant accounting policies *(continued)*

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

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

Assets held for sale

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

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset (or disposal group) from being classified as held-for-sale if the delay of the completion of sale is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the non-current assets and disposal groups.

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

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers *(continued)*

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.

Variable consideration

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

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

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

Property, plant and equipment

Property, plant and equipment are tangible assets held for use in the production or supply of goods or services, or for administrative purposes, other than assets under installation and construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under installation and construction in progress for production, supply and administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Assets under installation and construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

3.2 Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Depreciation is recognised so as to write off the cost of assets, other than assets under installation and construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

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

Research expenditure

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

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

3.2 Significant accounting policies *(continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Right-of-use assets *(continued)*

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

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease modifications

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

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

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

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

The Group as a lessor

Classification and measurement of leases

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

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

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessor (continued)

Allocation of consideration to components of a contract

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

Refundable rental deposits

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

Lease modification

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

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

Foreign currencies

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

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

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

3.2 Significant accounting policies *(continued)*

Foreign currencies *(continued)*

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

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

Government grants

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

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

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

3.2 Significant accounting policies *(continued)*

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

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

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

3.2 Significant accounting policies *(continued)*

Inventories

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

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

Financial instruments

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

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

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.

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

3.2 Significant accounting policies *(continued)*

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

Other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets *(continued)*

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets subject to impairment assessment under HKFRS 9

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

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

The Group always recognises lifetime ECL for trade receivables. The ECL on trade debtors with significant balances that are credit-impaired are assessed individually. The ECL on the remaining trade debtors are assessed based on collective assessment with reference to loss patterns as reflected in the debtors' historical payment pattern.

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

(i) Significant increase in credit risk

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(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.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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.

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 *(continued)*

(v) Measurement and recognition of ECL *(continued)*

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

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

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

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

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of amount due from an associate, trade receivables, bills receivables, loan receivables and other receivables, where the corresponding adjustment is recognised through an impairment loss account.

Derecognition of financial assets

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

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

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

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

3.2 Significant accounting policies *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

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

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

Derecognition of financial liabilities

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

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

3.2 Significant accounting policies *(continued)*

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

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

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

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

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 ECL for trade receivables

In determining the ECL of trade receivables, the management assesses trade receivables with significant balances that are credit-impaired individually and the remaining trade receivables using collective assessment. The provision are based on loss patterns as reflected in the debtors' historical payment pattern taking into consideration of quantitative, qualitative and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31st December, 2021, the carrying amount of trade receivables was HK$781,724,000 (net of impairment losses of HK$41,378,000) (2020: HK$665,588,000 (net of impairment losses of HK$43,607,000)). For the year ended 31st December, 2021, the net reversal of impairment losses amounted to HK$2,471,000 (2020: net impairment losses recognised of HK$2,473,000).

The ECL is sensitive to changes in estimates such as the changes in the forward-looking information as a result of changes in macroeconomic indicators. When the actual default rates are higher than the expected default rates, further impairment losses may arise. The information about the ECL and the Group's trade receivables are disclosed in notes 41(f) and 25.

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

Write-down of inventories

The Group's inventories include steel products, concrete products and other construction products. The write-down of inventories are mainly related to steel products. The net realisable value 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 without contracts on hand. When there is an upward trend in the market, the purchases price of the steel products of the Group may have increased which imposes pressures to the net realisable value of steel products of which the selling price already fixed by signed contract. The management estimates the net realisable values for steel products primarily based on the market condition, the contracted or latest selling prices of steel products and estimated costs of completion and costs necessary to make the sale.

Moreover, the management also reviews the usability and saleability of inventories at the end of reporting period, and writes down for obsolete and slow-moving inventories. The identification of obsolete and slow-moving inventories is based on the ageing categories and subsequent usages/sales. The historical record, quality and nature of the inventories are taken into consideration for the measurement of the write-down values of those obsolete and slow-moving inventories. Where the actual net realisable values of the inventories are less than expected, further write-down of inventories may arise.

As at 31st December, 2021, the carrying amount of inventories is HK$760,901,000 (net of write-down of inventories of HK$40,283,000) (2020: HK$444,521,000 (net of write-down of inventories of HK$22,619,000)). For the year ended 31st December, 2021, the net write-down of inventories was HK$17,527,000 (2020: HK$15,606,000).

5. REVENUE AND SEGMENT INFORMATION

Information reported to the chairman and vice chairman of the Group, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold. Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Metal products
2. Building construction materials

In addition, the Group's operation relating to money lending is presented as other operation due to expanding of the business during the year 31st December, 2021, while in prior years, it was relating to printing business which was ceased during the year ended 31st December, 2020.

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2021

Segments	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000
Sales of goods				
Steel coil processing, steel wires and wire rope products	1,614,438	–	–	1,614,438
Concrete products	–	382,326	–	382,326
Construction steel products and processing, and other construction products	–	2,003,712	–	2,003,712
Service income				
Transportation income	–	53,255	–	53,255
Revenue from contract with customers	1,614,438	2,439,293	–	4,053,731
Interest income on money lending	–	–	177	177
Total revenue	1,614,438	2,439,293	177	4,053,908

For the year ended 31st December, 2020

Segments	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000
Sales of goods				
Steel coil processing, steel wires and wire rope products	1,319,899	–	–	1,319,899
Concrete products	–	379,528	–	379,528
Construction steel products and processing, and other construction products	–	1,254,537	–	1,254,537
Service income				
Transportation income	–	37,104	–	37,104
Total revenue	1,319,899	1,671,169	–	2,991,068

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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

The Group also provides transportation services to the customers. Income is recognised at the point in time when the services are rendered and the relevant goods are delivered to the customer's specific location. During the year, transportation income, which is a distinct service provided to the customers and was previously grouped under sales of goods in construction steel products and processing, and other construction products is now presented separately. Comparative figures have been restated to conform with current year presentation. Accordingly, transportation income of HK$37,104,000 grouped under sales of goods in construction steel products and processing, and other construction products in building construction materials segment have been restated from HK$1,291,641,000 to HK$1,254,537,000.

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2020: 30 to 150 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.

For the year ended 31st December, 2021

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

2021

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,614,438	2,439,293	4,053,731	177	–	4,053,908
Inter-segment sales	3,921	2,314	6,235	91	(6,326)	–
Total	1,618,359	2,441,607	4,059,966	268	(6,326)	4,053,908
SEGMENT RESULT	122,228	67,223	189,451	159	–	189,610
Unallocated other income and other gains						1,792
Unallocated corporate expenses						(16,935)
Gain on disposal of subsidiaries						101,944
Finance costs						(27,130)
– Interest on bank borrowings						(15,831)
– Interest on lease liabilities						(11,299)
Share of result of a joint venture						(188)
Share of result of an associate						3
Profit before taxation						249,096

5. REVENUE AND SEGMENT INFORMATION *(continued)*

2020

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,319,899	1,671,169	2,991,068	–	–	2,991,068
Inter-segment sales	7,340	3,113	10,453	–	(10,453)	–
Total	1,327,239	1,674,282	3,001,521	–	(10,453)	2,991,068
SEGMENT RESULT	139,440	45,862	185,302	–	–	185,302
Unallocated other income and other gains						3,780
Unallocated corporate expenses						(17,878)
Finance costs						(31,836)
– Interest on bank borrowings						(19,658)
– Interest on lease liabilities						(12,178)
Share of result of a joint venture						1,603
Share of result of an associate						333
Profit before taxation						141,304

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 generated from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain other income, other gains, corporate expenses, gain on disposal of subsidiaries, finance costs and share of results of a joint venture and an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

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

2021

	Metal products HK$'000	**Building construction materials HK$'000**	**Reportable segment total HK$'000**	**Other operation HK$'000**	**Unallocated HK$'000**	**Consolidated HK$'000**
Depreciation of property, plant and equipment	**25,147**	**15,356**	**40,503**	**–**	**452**	**40,955**
Depreciation of right-of-use assets	**14,633**	**31,714**	**46,347**	**–**	**7,122**	**53,469**
Reversal of impairment losses under ECL model, net	**(760)**	**(2,787)**	**(3,547)**	**(541)**	**–**	**(4,088)**
Net (reversal of) write-down of inventories	**(2,725)**	**20,252**	**17,527**	**–**	**–**	**17,527**
Loss (gain) on disposal of property, plant and equipment	**1,983**	**(522)**	**1,461**	**–**	**(314)**	**1,147**

2020

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation of property, plant and equipment	19,234	16,194	35,428	–	651	36,079
Depreciation of right-of-use assets	13,779	39,837	53,616	–	7,172	60,788
(Reversal of) impairment losses under ECL model, net	(504)	13,645	13,141	(788)	–	12,353
Net write-down of inventories	3,311	12,295	15,606	–	–	15,606
Loss (gain) on disposal of property, plant and equipment	2,698	5,760	8,458	–	(20)	8,438

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information

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

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

2021

	Revenue from external customers				
	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000	Non-current assets HK$'000
Hong Kong	**18,237**	**2,291,536**	**177**	**2,309,950**	**306,270**
Mainland China	**1,488,988**	**24,943**	**–**	**1,513,931**	**480,293**
Macau	**24**	**122,814**	**–**	**122,838**	**–**
Others	**107,189**	**–**	**–**	**107,189**	**–**
	1,614,438	**2,439,293**	**177**	**4,053,908**	**786,563**

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

2020

	Revenue from external customers				
	Metal products HK$'000	Building construction materials HK$'000	Other operation HK$'000	Total HK$'000	Non-current assets HK$'000
Hong Kong	11,285	1,623,365	–	1,634,650	348,734
Mainland China	1,234,643	33,333	–	1,267,976	416,258
Macau	70	5,198	–	5,268	–
Others	73,901	9,273	–	83,174	–
	1,319,899	1,671,169	–	2,991,068	764,992

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at 31st December, 2021 and the expected timing of recognising revenue within one year and more than one year but within two years HK$1,168,814,000 (2020: HK$666,238,000) and HK$730,231,000 (2020: HK$215,221,000) respectively. The timing of delivery may be varied within the contracted period and the amount disclosed represent the Group's expectation on the timing of delivery requested by customers.

6. OTHER INCOME

	2021 **HK$'000**	2020 HK$'000
Rental income from property, plant and equipment (note a)	**–**	145
Sales of scraps and samples	**14,994**	8,540
Claims received	**1,744**	916
Crane and weighbridge income	**4,270**	3,148
Processing income	**921**	1,169
Government grants (note b)	**14,256**	15,074
Interest income	**1,923**	3,232
Gain on lease modification	**572**	1,177
Transportation income	**747**	613
Storage income	**531**	408
Sundry income	**2,338**	2,104
	42,296	36,526

Notes:

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

(b) During the year ended 31st December, 2021, the government grants mainly comprise an encouragement for operating in an economic development zone in Tianjin of HK$11,866,000 (2020: Nil), funds for "Employment Stabilizing Subsidy" in Tianjin and Guangdong provinces of HK$895,000 (2020: HK$581,000), fund for "High-tech Enterprises" in Guangdong province of Nil (2020: HK$748,000) and Covid-19-related subsidies which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region of Nil (2020: HK$11,865,000).

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

	2021 HK$'000	2020 HK$'000
Net (reversal of) impairment losses on:		
– Amount due from an associate	**(1,125)**	(1,250)
– Trade receivables	**(2,471)**	2,473
– Loan receivables	**(24)**	(16)
– Other receivables	**(468)**	11,146
	(4,088)	12,353

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

8. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Gain on disposal of investment properties	**–**	(113)
Gain on disposal of subsidiaries (note 35)	**(101,944)**	–
Loss on disposal of property, plant and equipment	**1,147**	8,438
Loss on deregistration of a subsidiary	**–**	488
Net exchange gain	**(227)**	(6,035)
	(101,024)	2,778

9. INCOME TAXES

	2021 HK$'000	2020 HK$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	**422**	–
Mainland China Enterprise Income Tax	**21,027**	21,012
Withholding tax paid for distributed profits in Mainland China	**1,567**	1,306
Tax arising from the disposal of subsidiaries	**5,250**	–
	28,266	22,318
Underprovision (overprovision) in prior years		
Hong Kong Profits Tax	**79**	477
Mainland China Enterprise Income Tax	**(5,337)**	(2,736)
	(5,258)	(2,259)
Deferred taxation (note 34)	**4,545**	3,600
	27,553	23,659

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of taxable profits of qualifying group entity will be taxed at 8.25%, and taxable profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong Profits Tax had been made in 2020 as the assessable profits were absorbed by the tax losses brought forward.

Under the Law of Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% for both years. In addition, one Mainland China subsidiary of the Company in Tianjin and one in Guangdong were qualified as "High-tech Enterprises" and subject to an Enterprise Income Tax Rate of 15%, which were granted for three years starting from 2019 and 2021 respectively. Another three Mainland China subsidiaries were qualified as "Small Low-profit Enterprise" in Guangdong and subject to an Enterprise Income Tax Rate of 5% for the first Renminbi ("RMB") 1 million of taxable profits and 10% for the taxable profits above RMB1 million but not exceeding RMB3 million. Further, withholding income tax of 10% is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some Mainland China entities held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to EIT Law if such companies are the beneficial owner of over 25% of these Mainland China entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Mainland China 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, 2021 and 2020, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

9. INCOME TAXES *(continued)*

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

	Hong Kong		Mainland China		Total	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**119,235**	10,379	**129,861**	130,925	**249,096**	141,304
Domestic income tax rate	**16.50%**	16.50%	**25.00%**	25.00%		
Tax at the domestic income tax rate	**19,674**	1,713	**32,465**	32,731	**52,139**	34,444
Tax effect of share of result of a joint venture	**–**	–	**47**	(401)	**47**	(401)
Tax effect of share of result of an associate	**–**	(55)	**–**	–	**–**	(55)
Tax effect of expenses not deductible for tax purpose	**2,099**	866	**429**	3,493	**2,528**	4,359
Tax effect of income not taxable for tax purpose	**(16,860)**	(2,566)	**(182)**	(436)	**(17,042)**	(3,002)
Tax effect of tax losses not recognised	**5,326**	2,942	**–**	–	**5,326**	2,942
Tax effect of utilisation of tax losses previously not recognised	**(12,635)**	(6,365)	**–**	–	**(12,635)**	(6,365)
Tax effect of other deductible temporary differences not recognised	**5,870**	4,315	**1,356**	3,255	**7,226**	7,570
Tax effect of utilisation of other temporary differences not recognised	**(1,352)**	(926)	**(427)**	(853)	**(1,779)**	(1,779)
Effect of tax concession granted to Mainland China subsidiaries	**–**	–	**(13,401)**	(16,933)	**(13,401)**	(16,933)
Withholding tax paid	**1,567**	1,306	**–**	–	**1,567**	1,306
Withholding tax on retained profits to be distributed	**2,700**	3,500	**–**	–	**2,700**	3,500
Underprovision (overprovision) in prior years	**79**	477	**(5,337)**	(2,736)	**(5,258)**	(2,259)
Income tax at concessionary rate	**165**	–	**–**	–	**165**	–
Tax arising from the disposal of subsidiaries	**5,250**	–	**–**	–	**5,250**	–
Others	**252**	176	**468**	156	**720**	332
Income taxes for the year	**12,135**	5,383	**15,418**	18,276	**27,553**	23,659

Details of deferred taxation are set out in note 34.

10. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
Current year	**3,886**	3,040
Underprovision in prior years	**–**	645
Cost of inventories recognised as expense including net write-down of inventories of HK$17,527,000 (2020: HK$15,606,000)	**3,538,908**	2,495,197
Depreciation of property, plant and equipment	**40,955**	36,079
Depreciation of right-of use assets	**53,469**	60,788
Interest income on rental deposits	**(317)**	(396)
Interest income from an associate	**(531)**	(421)
Interest income on bank deposits	**(787)**	(1,868)
Other interest income	**(288)**	(547)
Research expenditure included in other expenses (including worker and staff costs of HK$17,901,000 (2020: HK$16,540,000) and depreciation of right-of-use assets of HK$1,265,000 (2020: HK$1,288,000))	**58,218**	45,370
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	**323,006**	281,953

During the year ended 31st December, 2021, depreciation of right-of-use assets in relation to director's accommodation amounting to HK$1,873,000 (2020: HK$1,871,000) is included in directors' emoluments under worker and staff costs.

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11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

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

	Mr. Pang HK$'000 (Note a & c)	Ho Wai Yu, Sammy HK$'000 (Note a)	Pang Wan Ping HK$'000 (Note a)	Lau Ngai Fai HK$'000 (Note a & e)	Pang Chi To HK$'000 (Note a & f)	Yu Kwok Kan, Stephen HK$'000 (Note b)	Chan Yat Yan HK$'000 (Note b)	Lo Yip Tong HK$'000 (Note b & h)	Hai Tuen Tai, Freddie HK$'000 (Note b & g)	2021 Total HK$'000
Fees	–	–	–	–	–	232	232	–	232	696
Other emoluments										
Salaries and other benefits	6,274	3,904	1,154	1,658	375	–	–	–	–	13,365
Bonus*	1,700	1,700	300	800	–	–	–	–	–	4,500
Contributions to retirement benefits scheme	–	260	92	80	30	–	–	–	–	462
	7,974	5,864	1,546	2,538	405	232	232	–	232	19,023

	Mr. Pang HK$'000 (Note a & c)	Ho Wai Yu, Sammy HK$'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$'000 (Note b)	2020 Total HK$'000
Fees	–	–	–	–	224	224	224	672
Other emoluments								
Salaries and other benefits	6,165	3,784	1,096	2,870	–	–	–	13,915
Bonus*	1,200	1,200	180	460	–	–	–	3,040
Contributions to retirement benefits scheme	–	302	87	143	–	–	–	532
	7,365	5,286	1,363	3,473	224	224	224	18,159

* 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.

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

Notes:

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

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

(c) Mr. Pang is also the chief executive officer (the "CEO") of the Company and his emoluments disclosed above include those for service rendered by him as the CEO. Effective from 1st January, 2022, Mr. Pang has ceased to serve as CEO, and remains as an executive director of the Company. Ms. Pang Wan Ping has been appointed as the CEO with effect from 1st January, 2022.

(d) No director waived any emoluments for the two years ended 31st December, 2021 and 2020.

(e) Mr. Lau Ngai Fai resigned as an executive director with effect from 1st July, 2021.

(f) Mr. Pang Chi To was appointed as an executive director with effect from 1st August, 2021.

(g) Mr. Hai Tuen Tai, Freddie was appointed as an independent non-executive director with effect from 16th June, 2021.

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

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2020: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2020: two individuals) are as follows:

	2021 **HK$'000**	2020 HK$'000
Salaries and other benefits	**1,848**	2,346
Other payments relating to compensation for the loss of any other office as directors in connection with the management of relevant group entities	**8,500**	–
Bonus	**–**	2,118
Contributions to retirement benefits scheme	**–**	61
	10,348	4,525

Their emoluments were within the following bands:

	2021 **Number of employees**	2020 Number of employees
HK$5,000,001 – HK$5,500,000	**2**	–
HK$2,000,001 – HK$2,500,000	**–**	2
	2	2

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

13. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends paid:		
2020 Final – HK3.5 cents (2020: 2019 Final – HK2 cents) per ordinary share	**20,103**	11,488
2021 Interim – HK2 cents (2021: Nil) per ordinary share	**11,488**	–
	31,591	11,488
Dividend proposed:		
Final dividend proposed for the year – HK3 cents (2020: HK3.5 cents) per ordinary share	**17,231**	20,103
Special dividend proposed for the year – HK5 cents (2020: Nil) per ordinary share	**28,719**	–
	45,950	20,103

The directors proposed the payment of a final dividend of HK3 cents per share and a special dividend of HK5 cents per share for the year ended 31st December, 2021 which is subject to the approval by the shareholders at the forthcoming annual general meeting.

14. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the shareholders of the Company for the year and 574,378,128 (2020: 574,378,128) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31st December, 2021 and 2020 was presented as there were no potential ordinary shares in issue during the year.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2020, 31st December, 2020 and 2021	3,808
IMPAIRMENT	
At 1st January, 2020, 31st December, 2020 and 2021	(3,808)
CARRYING AMOUNT	
At 1st January, 2020, 31st December, 2020 and 2021	–

16. ASSETS CLASSIFIED AS HELD FOR SALE

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

HK Steel Wealth acts as an investment and properties holding company and wholly owns Dongguan Steel Wealth Metal Co., Ltd. (東莞富威鋼鐵分條有限公司) ("DGSW"), a wholly foreign owned enterprise established in Mainland China engaged in operating a decoiling centre under the segment of metal products.

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

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

On 16th October, 2019, the Purchaser paid Fulwealth a sum of HK$20,000,000 as earnest money (the "Earnest Money"). As required under the terms of the S&P Agreement, the Purchaser paid Fulwealth a further sum of HK$20,000,000 as deposit on 30th December, 2019. Considering the prevailing Covid-19 pandemic situations in Hong Kong, it remains difficult for the Purchaser to travel from Mainland China to Hong Kong to complete the sale and purchase transaction on or before 31st December, 2020. For this reason, Fulwealth has conditionally agreed with the Purchaser in writing to further extend the date by which the Disposal Transaction shall take place. In December 2020, the Purchaser paid Fulwealth additional deposit of HK$30,000,000 from the balance of consideration. As at 31st December, 2020, the aggregate amount of HK$70,000,000 was included in "Deposits received" (note 27).

On 30th July, 2021, Fulwealth received the remaining consideration in full and the disposal transaction is completed upon satisfaction of all conditions precedent as set out in the S&P Agreement. HK Steel Wealth and DGSW ceased to be subsidiaries of the Company. Details of the disposal of subsidiaries are included in note 35.

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

As at 31st December, 2020, upon the approval from the shareholders, the directors of the Company expect the Disposal Transaction is highly probable and to be completed within twelve months. The following assets of HK Steel Wealth and DGSW have been classified as assets held for sale and were presented separately in the consolidated statement of financial position as follows:

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

17. INVESTMENT PROPERTIES

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

	31.12.2020 HK$'000
Fair value	
As at 1st January, 2020	4,020
Disposal	(4,020)
As at 31st December, 2020	–

Notes:

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

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

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Assets under installation HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
As at 1st January, 2020	238,739	22,356	23,672	32,750	556,567	46,265	85,518	1,005,867
Exchange difference	1,874	323	483	586	21,534	2,951	16	27,767
Additions	–	6,539	1,067	1,388	5,651	36,187	4,463	55,295
Transfer from right-of-use assets (Note)	–	–	–	230	–	–	–	230
Written-off/disposals	(2,357)	–	(478)	(2,121)	(45,285)	–	(257)	(50,498)
Written off of impaired assets	–	–	(324)	(113)	(1,137)	–	–	(1,574)
Reclassification	–	–	2,926	–	66,148	(69,074)	–	–
As at 31st December, 2020	238,256	29,218	27,346	32,720	603,478	16,329	89,740	1,037,087
Exchange difference	840	336	292	205	11,845	466	5	13,989
Additions	–	2,558	1,139	1,622	3,165	31,295	169	39,948
Transfer from right-of-use assets (Note)	–	–	–	251	–	–	–	251
Written-off/disposals	–	–	(1,853)	(7,359)	(19,565)	–	–	(28,777)
Written off of impaired assets	–	–	–	(80)	(11,182)	–	–	(11,262)
Reclassification	62	260	494	–	5,678	(6,172)	(322)	–
As at 31st December, 2021	**239,158**	**32,372**	**27,418**	**27,359**	**593,419**	**41,918**	**89,592**	**1,051,236**
DEPRECIATION AND IMPAIRMENT								
As at 1st January, 2020	119,862	17,104	20,647	26,314	346,705	–	3,916	534,548
Exchange difference	1,463	330	398	476	14,017	–	–	16,684
Provided for the year	5,163	1,638	1,217	2,460	25,601	–	–	36,079
Transfer from right-of-use assets (Note)	–	–	–	230	–	–	–	230
Eliminated on written-off/disposals	(2,116)	–	(433)	(1,639)	(35,862)	–	–	(40,050)
Eliminated on written off of impaired assets	–	–	(324)	(113)	(1,137)	–	–	(1,574)
As at 31st December, 2020	124,372	19,072	21,505	27,728	349,324	–	3,916	545,917
Exchange difference	661	174	177	152	6,797	–	–	7,961
Provided for the year	5,176	2,043	1,623	2,018	30,095	–	–	40,955
Transfer from right-of-use assets (Note)	–	–	–	230	–	–	–	230
Eliminated on written-off/disposals	–	–	(1,758)	(6,513)	(15,853)	–	–	(24,124)
Eliminated on written off of impaired assets	–	–	–	(80)	(11,182)	–	–	(11,262)
As at 31st December, 2021	**130,209**	**21,289**	**21,547**	**23,535**	**359,181**	**–**	**3,916**	**559,677**
CARRYING VALUES								
As at 31st December, 2021	**108,949**	**11,083**	**5,871**	**3,824**	**234,238**	**41,918**	**85,676**	**491,559**
As at 31st December, 2020	113,884	10,146	5,841	4,992	254,154	16,329	85,824	491,170

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

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

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

Note: During the year ended 31st December, 2021, certain motor vehicles under finance leases with original cost of HK$251,000 (2020: HK$230,000) and accumulated depreciation of HK$230,000 (2020: HK$230,000) were fully paid and recategorised from right-of-use assets to property, plant and equipment. The assets transferred during the year ended 31st December, 2020 were fully depreciated upon recategorisation to property, plant and equipment.

The carrying value of leasehold land and buildings comprises:

	31.12.2021 HK$'000	31.12.2020 HK$'000
Situated in Hong Kong	**102,518**	107,210
Situated in Mainland China (excluding assets classified to assets held for sale)	**6,431**	6,674
	108,949	113,884

19. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Land and buildings HK$'000	Plant and machinery and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31st December, 2020					
Carrying amount	11,394	181,980	69,390	21	262,785
As at 31st December, 2021					
Carrying amount	11,294	205,115	64,400	–	280,809
For the year ended 31st December, 2020					
Depreciation charge	404	36,510	23,801	73	60,788
For the year ended 31st December, 2021					
Depreciation charge	422	36,849	16,198	–	53,469

	31.12.2021 HK$'000	31.12.2020 HK$'000
Expense relating to short-term leases	**11,681**	1,947
Total cash outflow for leases	**71,206**	68,791
Additions to right-of-use assets	**64,546**	40,133

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

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

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

The Group regularly entered into short-term leases for land and buildings. As at 31st December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

As at 31st December, 2021 and 2020, the Group had no lease with variable lease payment. The lease agreements do not impose any extension or termination options which are exercisable only by the Group and not by the respective lessors.

As at 31st December, 2021 and 2020, the Group does not provide residual value guarantees in relation to leases arrangements. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

As at 31st December, 2021 and 2020, the Group has no leases that are committed but not yet commenced.

20. INTEREST IN A JOINT VENTURE

	31.12.2021 HK$'000	31.12.2020 HK$'000
Cost of investments (unlisted)	**1,226**	1,226
Share of post-acquisition profits and other comprehensive income	**4,070**	4,258
	5,296	5,484

Particulars of the joint venture as at 31st December, 2021 and 2020 are as follows:

Name of company	**Form of business structure**	**Place of establishment/ principal place of business**	**Percentage of ownership interest and voting rights held by the Group**		**Principal activities**
			31.12.2021 %	31.12.2020 %	
昆山羅莎芙爾油墨有限公司	Equity joint venture	Mainland China	**33.25***	33.25*	Manufacturing and sales of printing ink

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

20. INTEREST IN A JOINT VENTURE *(continued)*

Information of the joint venture that is not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of (loss) profit and total comprehensive (expense) income	**(188)**	1,603

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

	31.12.2021 HK$'000	31.12.2020 HK$'000
Cost of investment (unlisted)	**4,505**	4,505
Share of post-acquisition losses and other comprehensive expense	**(4,505)**	(4,505)
	–	–
Amount due from an associate		
– Non-current asset (note b)	**16,875**	18,000
Less: impairment losses under ECL model	**(7,247)**	(8,372)
	9,628	9,628
Less: share of post-acquisition losses that are in excess of the cost of the investment	**(9,261)**	(9,264)
	367	364

The amount due from an associate after share of post-acquisition losses that are in excess of the cost of the investment of HK$367,000 (2020: HK$364,000) 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 are set out in note 41(f).

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

Particulars of the associate as at 31st December, 2021 and 2020 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
			31.12.2021 **%**	31.12.2020 %	
Hongkong United Reinforcement Engineering Limited	Incorporated	Hong Kong	**45**	45	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 three (2020: three) out of six directors of the company under the Articles of Association of the associate. The chairman of the board of the associate shall be nominated by another shareholder of the associate and shall have a casting vote in the event of an equality of voting.

(b) The amount of HK$16,875,000 (2020: HK$18,000,000) is unsecured, carries interest at 2% below the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum and is repayable in 2025.

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.

	2021 **HK$'000**	2020 HK$'000
Revenue	**11,681**	11,681
Profit and total comprehensive income for the year	**7**	947

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

Summarised financial information of the associate *(continued)*

	31.12.2021 HK$'000	31.12.2020 HK$'000
Current assets	**6,494**	3,969
Non-current assets	**8,197**	13,771
Current liabilities	**(3,657)**	(4,213)
Non-current liabilities	**(37,500)**	(40,000)

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

	31.12.2021 HK$'000	31.12.2020 HK$'000
Net liabilities	**(26,466)**	(26,473)
Proportion of the Group's ownership interest in the associate	**45%**	45%
Share of net liabilities of the associate	**(11,910)**	(11,913)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	**9,261**	9,264
10% pre-acquisition losses not shared	**2,649**	2,649
Carrying amount of the Group's interest in the associate	**–**	–

22. EQUITY INSTRUMENT AT FVTOCI

The equity investment is listed in the Frankfurt Stock Exchange.

The fair value of the investment is determined by reference to the bid prices quoted in an active market. At 31st December, 2021, the fair value of the investment is HK$2,119,000 (2020: HK$3,718,000) and a fair value loss on this equity instrument of HK$1,599,000 (2020: HK$603,000) has been recognised in other comprehensive income and accumulated in FVTOCI reserve.

As at 31st December, 2021, equity instrument at FVTOCI that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities.

23. INSURANCE POLICY ASSETS

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Insurance policy assets due after one year	**13,872**	13,294

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$60,305,000 (2020: HK$60,013,000). The Group paid premium charges at inception of the policies amounting to HK$324,000. The Group can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment of HK$9,982,000 (2020: HK$9,950,000) plus accumulated interest earned and minus insurance premium charged at inception of HK$324,000 and the accumulated monthly insurance premium expenses charged. In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance companies will pay the Group an interest of 3% per annum on the outstanding cash value of the policy.

As at 31st December, 2021, 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$6,831,000 (2020: HK$6,606,000).

24. INVENTORIES

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Raw materials	**66,678**	60,597
Work in progress	**102,323**	99,680
Finished goods	**589,606**	281,952
Supplies	**2,294**	2,292
	760,901	444,521

25. RENTAL AND OTHER DEPOSITS, TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	31.12.2021 HK$'000	31.12.2020 HK$'000
Trade receivables	823,102	709,195
Less: Impairment losses under ECL model	(41,378)	(43,607)
	781,724	665,588
Bills receivables	31,870	26,352
Loan receivables (Notes)	3,086	3,915
Less: Impairment losses under ECL model	(600)	(624)
	2,486	3,291
Prepayments	68,981	55,929
Rental and other deposits	18,462	18,114
Other receivables	28,355	31,813
Less: Impairment losses under ECL model	(22,063)	(22,370)
	93,735	83,486
Total trade, bills, loan and other receivables	909,815	778,717
Analysed for reporting purpose as:		
Current	899,800	764,196
Non-current – Loan receivables, net (Notes)	1,639	2,485
Non-current – Rental and other deposits	8,376	12,036
	909,815	778,717

As at 1st January, 2020, trade and bills receivables from contracts with customers amounted to HK$567,115,000.

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

Notes:

a) As at 31st December, 2021, the loan receivables with the carrying amount of HK$2,486,000 (2020: HK$3,291,000) are secured over motor vehicles and repayable by instalments within seven years from the first drawdown date. They bear interest from 2.75% to 5.02% (2020: 2.75% to 5.02%) per annum. The Group is not permitted to sell or repledge the motor vehicle in the absence of default by the borrower. There has not been any significant changes in the quality of the collateral held for the loans receivables. The Group has not recognised impairment losses under ECL model for the loans receivables secured with these collaterals.

b) As at 31st December, 2021, the loan receivables with the carrying amount of Nil, net of impairment losses under ECL model of HK$600,000 (2020: carrying mount of Nil, net of impairment losses under ECL model of HK$624,000) are secured and repayable within one year. They bear interest at 5% per annum.

c) During the year ended 31st December, 2021, reversal of impairment losses under ECL model of HK$24,000 was recognised in the profit or loss (2020: HK$16,000).

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2020: 30 to 150 days) to its customers.

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

Trade and bills receivables, net of impairment losses under ECL model, with an ageing analysis presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates as follows:

	31.12.2021	31.12.2020
	HK$'000	HK$'000
0 – 30 days	**362,599**	362,958
31 – 60 days	**265,391**	211,255
61 – 90 days	**107,015**	75,397
91 – 120 days	**48,749**	21,963
More than 120 days	**29,840**	20,367
	813,594	691,940

As at 31st December, 2021, total bills received amounting to HK$31,870,000 (2020: HK$26,352,000) are held by the Group for future settlement of trade receivables of which certain bills amounting to HK$11,386,000 (2020: Nil) were further endorsed by the Group to suppliers. The Group continues to recognise their full carrying amounts at the end of the reporting periods. All bills received by the Group are with a maturity period of less than one year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$313,467,000 (2020: HK$218,552,000) which are past due at the reporting date for which the Group has not provided for impairment losses under ECL model, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. Out of the past due balances, HK$25,415,000 (2020: HK$15,852,000) has been past due 90 days or more and is not considered as in default because it's the industry's practice that payments are usually made later than due dates. The Group does not hold any collateral over these balances. Trade receivables which are neither past due nor impaired are in good quality with satisfactory repayment history in the past.

Trade, bills, loan and other receivables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$42,758,000 (2020: HK$17,624,000).

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

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

Bank balances carried interest at prevailing market interest rates.

As at 31st December, 2020, the bank deposits with original maturity over three months will be matured in within one year and carry interest at 1.82% per annum.

As at 31st December, 2021, bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$137,597,000 (2020: HK$63,744,000).

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

27. TRADE AND OTHER PAYABLES

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Trade payables	**103,374**	145,567
Accruals	**80,860**	80,713
Deposits received	**8,042**	76,003
Other payables	**46,067**	28,775
	238,343	331,058

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

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
0 – 30 days	**56,342**	104,330
31 – 60 days	**29,181**	27,467
61 – 90 days	**7,189**	5,797
91 – 120 days	**4,803**	3,318
More than 120 days	**5,859**	4,655
	103,374	145,567

The credit period on purchases of goods ranges from 30 to 120 days.

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$1,772,000 (2020: HK$38,432,000).

28. CONTRACT LIABILITIES

	31.12.2021 HK$'000	31.12.2020 HK$'000
Metal products	**10,246**	19,635
Building construction materials	**28,186**	4,875
	38,432	24,510

As at 1st January, 2020, contract liabilities amounted to HK$7,380,000.

All the contract liabilities at the beginning of 2021 and 2020 was recognised as revenue in the relevant years upon the satisfaction of performance obligation, i.e. the delivery of goods to the customer.

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

29. LEASE LIABILITIES

	31.12.2021 HK$'000	31.12.2020 HK$'000
Lease liabilities payable:		
Within one year	**40,496**	47,299
Within a period of more than one year but not exceeding two years	**26,920**	28,474
Within a period of more than two years but not exceeding five years	**52,052**	34,475
Within a period of more than five years	**164,062**	150,858
	283,530	261,106
Less: Amount due for settlement within 12 months shown under current liabilities	**(40,496)**	(47,299)
Amount due for settlement after 12 months shown under non-current liabilities	**243,034**	213,807

The weighted average incremental borrowing rates applied to lease liabilities range from 1.77% to 5.39% (2020: 1.94% to 5.39%).

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities amounted to HK$3,902,000 as at 31st December, 2021 (2020: HK$4,359,000).

30. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

31. BANK BORROWINGS

	31.12.2021 HK$'000	31.12.2020 HK$'000
Bank loans	**144,633**	207,678
Trust receipt loans	**1,101,153**	484,088
	1,245,786	691,766
Analysed as:		
Secured (note 36)	**3,750**	12,413
Unsecured	**1,242,036**	679,353
	1,245,786	691,766
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	**26,908**	40,399
Carrying amounts of bank borrowings containing a repayment on demand clause (shown under current liabilities) but repayable		
Within one year	**1,217,628**	624,762
Within a period of more than one year, but not exceeding two years	**1,250**	25,355
Within a period of more than two years, but not exceeding five years	**–**	1,250
	1,218,878	651,367
	1,245,786	691,766

31. BANK BORROWINGS *(continued)*

Trust receipt loans

The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates at a discount offered by the suppliers. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks between 150 and 270 days after settlement by the banks with interest ranges from 1.06% to 1.72% (2020: 1.15% – 1.91%), which may be extended beyond the original due dates of respective invoices. The interest rates are consistent with the Group's short-term borrowing rates.

Taking into consideration of the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "borrowings" in the consolidated statement of financial position. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions in note 42.

The effective borrowing rates are ranging from 1.06% to 5.55% (2020: 1.15% to 5.60%) per annum.

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

Denominated in	Interest rate per annum	31.12.2021 HK$'000	31.12.2020 HK$'000
HK$	HIBOR plus 1.00% to 1.75% (2020: HIBOR plus 1.20% to 1.75%)	**921,978**	293,262
United States dollars (Note)	LIBOR plus 1.00% to 1.25% (2020: LIBOR plus 1.00% to 1.50%)	**205,780**	262,091
RMB	Fixed rate ranging from 4.10% to 5.50% (2020: 3.80% to 5.60%)	**118,028**	136,413
		1,245,786	691,766

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

32. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2020, 31st December, 2020 and 2021	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2020, 31st December, 2020 and 2021	574,378,128	57,438

33. SHARE OPTION SCHEME

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

Summary of the Scheme

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

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

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

33. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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

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

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

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

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

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

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

34. DEFERRED TAXATION

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

	Accelerated tax depreciation	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, 2020	(20,088)	12,432	(10,180)	556	(17,280)
Credit (charge) to profit or loss	674	(774)	(3,500)	–	(3,600)
At 31st December, 2020	(19,414)	11,658	(13,680)	556	(20,880)
Charge to profit or loss	(3)	(1,842)	(2,700)	–	(4,545)
At 31st December, 2021	**(19,417)**	**9,816**	**(16,380)**	**556**	**(25,425)**

At the end of the reporting period, the Group has tax losses of HK$637,276,000 (2020: HK$692,739,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$59,489,000 (2020: HK$70,655,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$577,787,000 (2020: HK$622,084,000) 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$92,361,000 (2020: HK$61,263,000) in respect of accelerated accounting depreciation on property, plant and equipment, provision for inventories and impairment losses under ECL model. A deferred tax asset has been recognised in respect of HK$3,370,000 (2020: HK$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$88,991,000 (2020: HK$57,893,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

35. DISPOSAL OF SUBSIDIARIES

As referred to in note 16, on 30th July, 2021, HK Steel Wealth and DGSW have ceased to be subsidiaries of the Company. The net assets of HK Steel Wealth and DGSW at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash received in prior years	70,000
Cash received in current year	68,000
Total consideration received	138,000

	30.7.2021 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	13,528
Right-of-use assets	1,211
Bank balances and cash	21,721
Net assets disposed of	36,460
Gain on disposal of subsidiaries:	
Consideration received	138,000
Net assets disposed of	(36,460)
Transaction costs paid	(934)
Reclassification of cumulative exchange reserve upon disposal of HK Steel Wealth and DGSW to profit or loss	1,338
Gain on disposal	101,944
Net cash inflow arising on disposal:	
Cash consideration	138,000
Less: transaction costs paid	(934)
bank balances and cash disposed of	(21,721)
Net cash inflow arising on disposal	115,345
Less: cash received in prior years	(70,000)
Net cash inflow in the current year	45,345

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

36. 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:

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Construction in progress	**85,667**	85,667

37. CAPITAL COMMITMENTS

	31.12.2021 **HK$'000**	31.12.2020 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**9,566**	10,111

38. RETIREMENT BENEFITS SCHEMES

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

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$13,397,000 (2020: HK$6,155,000), after deducted waiver in Mainland China of Nil (2020: HK$7,265,000) and forfeited contributions utilised in the Group's ORSO Scheme of Nil (2020: HK$97,000).

39. RELATED PARTY TRANSACTIONS

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

Relationship	Nature of transactions	2021 HK$'000	2020 HK$'000
An associate	Interest expenses on lease liabilities	–	128
	Expense relating to short-term leases	11,681	1,947
	Payment of right-of-use assets	–	9,734
	Interest income	531	421

Compensation of key management personnel

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

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 31, net of cash and cash equivalents, and equity attributable to shareholders of the Company, comprising 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, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt, if necessary.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2021 HK$'000	31.12.2020 HK$'000
Financial assets		
Financial assets at amortised cost	**1,506,300**	1,117,467
Financial assets at FVTPL	**13,872**	13,294
Equity instrument at FVTOCI	**2,119**	3,718
Financial liabilities		
At amortised cost	**1,454,494**	927,214
Lease liabilities	**283,530**	261,106

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills, loan and other receivables, bank deposits with original maturity over three months, bank balances and cash, amount due from an associate, trade and other payables, bank borrowings, lease liabilities and amounts due to non-controlling shareholders. Details of the financial instruments are disclosed in respective notes.

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

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

41. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management

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

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

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

	Assets		**Liabilities**	
	31.12.2021 HK$'000	31.12.2020 HK$'000	**31.12.2021 HK$'000**	31.12.2020 HK$'000
HK$	**11,397**	2,490	**–**	–
United States dollars	**154,457**	77,646	**202,535**	299,526
RMB	**21,309**	7,390	**3,906**	4,363
Others	**2,142**	4,166	**1,036**	993

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**	
	31.12.2021 HK$'000	31.12.2020 HK$'000	**31.12.2021 HK$'000**	31.12.2020 HK$'000
HK$	**218**	167	**18,472**	18,913
United States dollars	**–**	19,299	**–**	19,299
RMB	**11,736**	19,951	**2,495**	2,424

41. FINANCIAL INSTRUMENTS *(continued)*

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

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

Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 5% (2020: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2020: 5%) is the sensitivity rate used in the 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% (2020: 5%) change in foreign currency rates. A positive number indicates an increase in profit for the year where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2020: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year.

	Profit for the year	
	2021	2020
	HK$'000	HK$'000
Foreign currencies		
HK$	**257**	610
United States dollars	**(1,204)**	291
RMB	**(1,112)**	(858)
Others	**(46)**	(133)

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

41. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables (note 25), bank deposits with original maturity over three months (note 26), lease liabilities (note 29), and bank borrowings (note 31). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on insurance policy assets (note 23), variable-rate bank balances (note 26), amount due from an associate (note 21) and bank borrowings (note 31).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and LIBOR and the best lending rate quoted by a bank arising from the Group's amount due from an associate and bank borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the interest rate benchmark reform are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

Sensitivity analysis on insurance policy assets and bank balances is not presented as the management considers that the Group's exposure to interest rate fluctuation is insignificant. The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and amount due from an associate. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was existed for the whole year. A 50 (2020: 50) interest rate benchmark reform basis points increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

Excluding the effect of insurance policy assets and bank balances, if interest rates had been 50 (2020: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2021 would have decreased/increased by HK$4,638,000 (2020: HK$2,243,000).

(e) Price risk management

Other price risk management

The Group is exposed to equity price risk through its investments in listed equity securities and fair value changes on insurance policy assets.

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

41. FINANCIAL INSTRUMENTS *(continued)*

(f) Credit risk and impairment assessment

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

As at 31st December, 2021 and 2020, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loans receivables is mitigated because they are secured over motor vehicles and settlement of certain trade receivables are backed by bills issued by financial institutions.

Trade receivables arising from contracts with customers

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

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits and credit approvals. The credit review team of the Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for trade debtors with significant balances that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables are assessed using collective assessment with reference to loss patterns as reflected in the debtors' historical payment pattern taking into consideration of quantitative, qualitative and forward-looking information that is reasonable and supportable available without undue cost or effort. Reversal of impairment losses amounted to HK$2,471,000 (2020: impairment losses recognised of HK$2,473,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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

Loan receivables

The directors of the Company estimate the estimated loss rates of loan receivables based on historical credit loss experience of the debtors as well as the fair value of the collaterals pledged to the loan receivables. Based on assessment by the directors of the Company, the loss given default is low in view of the estimated realised amount of ultimate disposal of the collaterals. Reversal of impairment loss amounted to HK$24,000 (2020: HK$16,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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

41. FINANCIAL INSTRUMENTS *(continued)*

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

Other receivables and rental deposits

Certain receivables from counterparties whose credit risks were significantly increased. The ECL was made on these counterparties specifically in prior years. Reversal of impairment loss amounted to HK$468,000 (2020: impairment losses recognised of HK$11,146,000) is recognised during the year.

The credit risks on remaining other receivables and rental deposits are limited because the counterparties 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 is considered to be low credit risk and the impairment loss under ECL model is measured on 12m ECL basis. Details of the quantitative disclosures are set out below in this note.

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

Amount due from an associate

The directors review the recoverable amount at the end of reporting period to ensure that adequate impairment losses under ECL model are made for irrecoverable amounts. As at 31st December, 2021, the Group assessed the ECL for amount due from an associate and reversal of impairment loss amounted to HK$1,125,000 (2020: HK$1,250,000).

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

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

The credit risks on bank balances, bank deposits with original maturity over three months and bills receivables are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Therefore, the credit rating is considered to be low credit risk and the impairment loss under ECL model is measured on 12m ECL basis. For the year ended 31st December, 2021 and 2020, the Group assessed the ECL for bank balances, bank deposits with original maturity over three months and bills receivables were insignificant and thus no impairment loss under ECL model was recognised.

The Group has concentration of credit risk as 39% (2020: 29%) and 67% (2020: 70%) of the total bank balances and bank deposits with original maturity over three months was arising from Group's largest bank and the top three banks respectively.

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

41. FINANCIAL INSTRUMENTS *(continued)*

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

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

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

41. FINANCIAL INSTRUMENTS *(continued)*

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

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

	Notes	External credit rating	Internal credit rating	12m ECL or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
					HK$'000	**HK$'000**	HK$'000	HK$'000
Financial assets at amortised cost								
Trade receivables	25	N/A	(Note 2)	Lifetime ECL - collective assessment	**785,858**		669,061	
			Loss	Lifetime ECL - credit-impaired	**37,244**	**823,102**	40,134	709,195
Amount due from an associate	21	N/A	Doubtful	Lifetime ECL - not credit-impaired	**16,875**	**16,875**	18,000	18,000
Loan receivables	25	N/A	Low risk	12m ECL	**2,486**		3,291	
			Loss	Lifetime ECL - credit-impaired	**600**	**3,086**	624	3,915
Other receivables and rental deposits	25	N/A	(Note 3)	12m ECL	**17,131**		16,404	
			Loss	Lifetime ECL - credit-impaired	**22,063**	**39,194**	22,370	38,774
Bank balances and bank deposits with original maturity over three months	26	(Note 1)	N/A	12m ECL	**656,427**	**656,427**	402,092	402,092
Bills receivables	25	(Note 1)	N/A	12m ECL	**31,870**	**31,870**	26,352	26,352

Notes:

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

2. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the impairment loss at lifetime ECL. Except for trade receivables that are credit-impaired, the Group determines the ECL on these items collectively based on loss patterns as reflected in the debtors' historical payment pattern.

3. For other receivables and rental deposits, the Group considers the exposure of credit risk is low because 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.

41. FINANCIAL INSTRUMENTS *(continued)*

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

Collective assessment – internal credit rating

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

Gross carrying amount

	2021		2020	
	Average loss rate	**Trade receivables HK$'000**	Average loss rate	Trade receivables HK$'000
Internal credit rating				
Low risk	**0.526%**	**785,858**	0.519%	669,061

The estimated loss rates are estimated with reference to loss patterns as reflected in the debtors' historical payment pattern taking into consideration of quantitative, qualitative and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about specific debtors is updated.

As at 31st December, 2021, impairment losses under ECL model for trade receivables included HK$4,134,000 (2020: HK$3,473,000) based on collective assessment and HK$37,244,000 (2020: HK$40,134,000) for credit-impaired debtors respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

41. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1st January, 2020	2,951	38,873	41,824
– Transfer to credit-impaired	(18)	18	–
– Impairment losses reversed	(541)	(1,674)	(2,215)
– Write-offs	(26)	(1,298)	(1,324)
Impairment losses recognised	1,011	3,677	4,688
Exchange difference	96	538	634
As at 31st December, 2020	3,473	40,134	43,607
– Transfer to credit-impaired	(60)	60	–
– Impairment losses reversed	(3,381)	(3,472)	(6,853)
– Write-offs	–	(24)	(24)
Impairment losses recognised	–	76	76
New financial assets originated with gross carrying amount of HK$771,164,000	4,055	251	4,306
Exchange difference	47	219	266
As at 31st December, 2021	**4,134**	**37,244**	**41,378**

41. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables *(continued)*

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

	31.12.2021 Decrease in lifetime ECL		31.12.2020 Decrease in lifetime ECL	
	Not credit-impaired HK$'000	**Credit-impaired HK$'000**	Not credit-impaired HK$'000	Credit-impaired HK$'000
Settlement in full of trade debtors with a gross carrying amount of HK$654,917,000 (2020: HK$106,316,000)	**(3,381)**	**(3,472)**	(541)	(1,674)

Amount due from an associate

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

	Lifetime ECL (not credit-impaired) HK$'000
As at 1st January, 2020	9,622
Impairment losses reversed	(1,250)
As at 31st December, 2020	8,372
Impairment losses reversed	(1,125)
As at 31st December, 2021	**7,247**

41. FINANCIAL INSTRUMENTS *(continued)*

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

Other receivables

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

	Lifetime ECL (credit-impaired) HK$'000
As at 1st January, 2020	11,835
Impairment losses recognised	11,146
Write-offs	(943)
Exchange difference	332
As at 31st December, 2020	22,370
Impairment losses reversed	(468)
Exchange difference	161
As at 31st December, 2021	**22,063**

Loan receivables

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

	Lifetime ECL (credit-impaired) HK$'000
As at 1st January, 2020	1,990
Impairment losses reversed	(16)
Write-offs	(1,350)
As at 31st December, 2020	624
Impairment losses reversed	(24)
As at 31st December, 2021	**600**

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For the year ended 31st December, 2021

41. 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$376,663,000 and HK$49,559,000 (2020: HK$728,320,000 and HK$6,369,000) respectively.

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

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'000	1 – 2 years HK$'000	>2 – <5 years HK$'000	>5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2021 HK$'000
2021								
Non-derivative instruments								
Trade and other payables	–	205,508	–	–	–	–	205,508	205,508
Bank borrowings								
– Fixed interest rate	4.47	119,600	–	–	–	–	119,600	118,028
– Variable interest rate	1.39	805,259	322,499	–	–	–	1,127,758	1,127,758
Amounts due to non-controlling shareholders	–	3,200	–	–	–	–	3,200	3,200
Lease liabilities	4.80	15,569	37,336	38,106	80,384	205,372	376,767	283,530
		1,149,136	359,835	38,106	80,384	205,372	1,832,833	1,738,024

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'000	1 – 2 years HK$'000	>2 – <5 years HK$'000	>5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2020 HK$'000
2020								
Non-derivative instruments								
Trade and other payables	–	232,248	–	–	–	–	232,248	232,248
Bank borrowings								
– Fixed interest rate	4.41	137,169	–	–	–	–	137,169	136,413
– Variable interest rate	1.44	555,353	–	–	–	–	555,353	555,353
Amounts due to non-controlling shareholders	–	3,200	–	–	–	–	3,200	3,200
Lease liabilities	4.73	14,574	43,908	38,412	67,852	183,393	348,139	261,106
		942,544	43,908	38,412	67,852	183,393	1,276,109	1,188,320

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

41. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2021, the aggregate carrying amounts of these bank borrowings amounted to HK$1,218,878,000 (2020: HK$651,367,000). 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$1,222,912,000 (2020: HK$654,111,000).

	Maturity Analysis – Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	0 - 3 months HK$'000	4 - 12 months HK$'000	1 - 2 years HK$'000	>2 - <5 years HK$'000	Total undiscounted cash outflows HK$'000
31st December, 2021	**865,946**	**355,709**	**1,257**	**–**	**1,222,912**
31st December, 2020	522,998	104,347	25,509	1,257	654,111

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) Interest rate benchmark reform

As stated in note 31, several of the Group's LIBOR and HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31st December, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30th June, 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

41. FINANCIAL INSTRUMENTS *(continued)*

(h) Interest rate benchmark reform *(continued)*

The following table shows the total amounts of outstanding bank borrowings and the progress in completing the transition to alternative benchmark rates as at 31st December 2021. The amounts of bank borrowings are shown at their carrying amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts	Transition progress for financial instruments
		HK$'000	
Non-derivative financial liabilities			
Bank borrowings linked to HIBOR	2022	921,978	HIBOR will continue till maturity
Bank borrowings linked to USD LIBOR	2022	3,630	LIBOR will continue till maturity
Bank borrowings linked to USD LIBOR	2022	198,173	Fallback clause refers to the alternative benchmark and the specific triggering events

(i) Fair value measurement of financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

41. FINANCIAL INSTRUMENTS *(continued)*

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2021	31.12.2020			
Equity instrument at FVTOCI	**Asset – HK$2,119,000**	Asset – HK$3,718,000	Level 1	Quoted bid prices from a Frankfurt Stock Exchange	N/A
Insurance policy assets	**Asset – HK$13,872,000**	Asset – HK$13,294,000	Level 3	Quoted cash value from insurance contract vendors	Accounts value less surrender charges

There were no transfer between Level 1 and 3 during the year.

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

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

42. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leased properties, factories and staff quarters for 2 to 20 years (2020: leased properties and machinery for 2 to 4 years). On the lease commencement and modification, the Group recognised right-of-use assets and lease liabilities of HK$64,546,000 and HK$63,974,000 (2020: HK$40,133,000 and HK$35,831,000) respectively.

During the year, trust receipt loans under supply chain financing arrangements of HK$2,156,605,000 (2020: HK$984,772,000) represent the payments to the suppliers by the relevant banks directly.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings	Amounts due to non-controlling shareholders	Lease liabilities	Dividends payables	Interest payables (included in other payables)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 1st January, 2020	791,461	3,200	267,909	–	722	1,063,292
Financing cash flows	(1,095,245)	(2,609)	(66,844)	(11,488)	(20,068)	(1,196,254)
Trust receipt loans under supply chain financing arrangements	984,772	–	–	–	–	984,772
Cash dividends declared	–	–	–	11,488	–	11,488
Dividend declared to non-controlling shareholders of subsidiaries	–	2,609	–	–	–	2,609
New lease entered/lease modified	–	–	35,831	–	–	35,831
Exchange difference	10,778	–	12,032	–	–	22,810
Interest expenses	–	–	12,178	–	19,658	31,836
As at 31st December, 2020	**691,766**	**3,200**	**261,106**	**–**	**312**	**956,384**
Financing cash flows	**(1,606,589)**	**(2,820)**	**(59,525)**	**(31,591)**	**(15,371)**	**(1,715,896)**
Trust receipt loans under supply chain financing arrangements	**2,156,605**	**–**	**–**	**–**	**–**	**2,156,605**
Cash dividends declared	**–**	**–**	**–**	**31,591**	**–**	**31,591**
Dividend declared to non-controlling shareholders of subsidiaries	**–**	**2,820**	**–**	**–**	**–**	**2,820**
New lease entered/lease modified	**–**	**–**	**63,974**	**–**	**–**	**63,974**
Exchange difference	**4,004**	**–**	**6,676**	**–**	**–**	**10,680**
Interest expenses	**–**	**–**	**11,299**	**–**	**15,831**	**27,130**
As at 31st December, 2021	**1,245,786**	**3,200**	**283,530**	**–**	**772**	**1,533,288**

44. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of principal subsidiaries

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31.12.2021	31.12.2020	
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
Daido Home Finance Ltd	Incorporated	Hong Kong	HK$100,000 Ordinary shares	**100%**	100%	Money lending business
DGSW	Wholly foreign owned enterprise	Mainland China	HK$18,000,000 Registered capital	**–**	100%	Operating a decoiling centre
Dongguan Widehold Metal Company Limited	Wholly foreign owned enterprise	Mainland China	HK$10,000,000 Registered capital	**100%**	100%	Sales of metal products
Fulwealth*	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**100%**	100%	Investment holding and operating a decoiling centre
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Concrete (HK) Limited	Incorporated	Hong Kong	HK$2,000,000 Ordinary shares	**100%**	100%	Sales of ready mixed concrete
Golik 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
Golik Precast Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares	**100%**	100%	Sales of concrete pipes and related products

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

General information of principal subsidiaries *(continued)*

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group 31.12.2021	31.12.2020	Principal activities
Golik Steel (HK) Limited	Incorporated	Hong Kong	HK$1,321,270,853 Ordinary shares	**100%**	100%	Investment and properties holding, sales of steel bars and construction materials and provision for handling services
Jiangmen Golik Metal Manufacturing Co., Ltd.	Wholly foreign owned enterprise	Mainland China	HK$15,500,000 Registered capital	**100%**	100%	Manufacturing and sales of metal products
Supreme Enterprises, Limited	Incorporated	Hong Kong	HK$82,636 Ordinary shares	**100%**	100%	Property investment
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of building construction materials
Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun")	Sino-foreign equity joint venture	Mainland China	RMB60,000,000 Registered capital	**70.5%**	70.5%	Investment holding and manufacturing and sales of steel wire ropes for elevators and high-end wire rope products
鶴山恒基鋼絲製品有限公司	Wholly foreign owned enterprise	Mainland China	US$6,380,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire products and steel ropes
鶴山高力金屬製品有限公司	Sino-foreign equity joint venture	Mainland China	US$3,380,000 Registered capital	**100%**	100%	Manufacturing and sales of reinforcing mesh and metal products

* Subsidiaries held directly by the Company.

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

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

General information of principal subsidiaries *(continued)*

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	
		2021	2020
Investment holding	The British Virgin Islands	**5**	5
Investment holding	Hong Kong	**3**	5
Inactive	Hong Kong	**5**	3
Inactive	Mainland China	**2**	2
Inactive	The British Virgin Islands	**1**	1
Others	Hong Kong	**2**	2
Others	Mainland China	**1**	1
		19	19

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

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

	2021 HK\$'000	2020 HK\$'000
Profit (loss) allocated to non-controlling interests of		
TJ Goldsun Group	**23,970**	23,967
Individually immaterial subsidiaries	**(11)**	133
	23,959	24,100

	31.12.2021 HK\$'000	31.12.2020 HK\$'000
Accumulated non-controlling interests of		
TJ Goldsun Group	**134,193**	109,530
Individually immaterial subsidiaries	**(20,996)**	(20,985)
	113,197	88,545

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

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

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

TJ Goldsun Group

	31.12.2021 HK$'000	31.12.2020 HK$'000
Current assets	470,393	432,317
Non-current assets	403,884	352,839
Current liabilities	(208,033)	(237,011)
Non-current liabilities	(209,804)	(175,312)
Equity attributable to owners of the TJ Goldsun Group	322,247	263,303
Non-controlling interests	134,193	109,530

	2021 HK$'000	2020 HK$'000
Revenue	957,516	820,292
Expenses	(876,262)	(739,048)
Profit attributable to owners of TJ Goldsun Group	57,284	57,277
Profit attributable to the non-controlling interests	23,970	23,967
Profit for the year	81,254	81,244
Other comprehensive income to owners of TJ Goldsun Group	8,395	14,184
Other comprehensive income to the non-controlling interests	3,513	5,902
Other comprehensive income for the year	11,908	20,086
Total comprehensive income for the year attributable to owners of TJ Goldsun Group	65,679	71,461
Total comprehensive income for the year attributable to the non-controlling interests	27,483	29,869
Total comprehensive income for the year	93,162	101,330
Dividend paid to non-controlling interests for the year	(2,820)	(2,609)
Net cash inflow from operating activities	83,528	81,400
Net cash outflow from investing activities	(35,693)	(26,007)
Net cash outflow from financing activities	(60,083)	(65,822)
Net cash outflow for the year	(12,248)	(10,429)

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

	31.12.2021 HK$'000	31.12.2020 HK$'000
Non-current Assets		
Property, plant and equipment	**428**	355
Right-of-use assets	**15,425**	8,682
Investments in subsidiaries	**489,486**	489,486
Amounts due from subsidiaries	**43,572**	39,252
Equity instrument at FVTOCI (note 22)	**2,119**	3,718
Insurance policy assets	**10,390**	9,919
Rental deposits	**1,114**	1,652
Deposits paid for acquisition of property, plant and equipment	**–**	516
	562,534	553,580
Current Assets		
Deposits, prepayment and other receivables	**952**	553
Amounts due from subsidiaries	**157,489**	144,911
Bank balances and cash	**2,574**	2,965
	161,015	148,429
Current Liabilities		
Accruals and other payables	**3,876**	3,655
Amounts due to subsidiaries	**133,588**	125,292
Lease liabilities	**5,172**	7,353
Financial guarantee contracts liabilities	**4,699**	6,608
	147,335	142,908
Net Current Assets	**13,680**	5,521
	576,214	559,101
Capital and Reserves		
Share capital	**57,438**	57,438
Reserves	**508,670**	500,137
Total Equity	**566,108**	557,575
Non-current liability		
Lease liabilities	**10,106**	1,526
	576,214	559,101

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

MOVEMENT OF CAPITAL AND RESERVES

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	FVTOCI reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1st January, 2020	57,438	323,195	65,891	4,321	110,229	561,074
Profit for the year	–	–	–	–	8,592	8,592
Other comprehensive expense for the year						
Fair value loss on an equity instrument at FVTOCI	–	–	–	(603)	–	(603)
Total comprehensive (expense) income for the year	–	–	–	(603)	8,592	7,989
Dividends paid	–	–	–	–	(11,488)	(11,488)
As at 31st December, 2020	57,438	323,195	65,891	3,718	107,333	557,575
Profit for the year	–	–	–	–	41,723	41,723
Other comprehensive expense for the year						
Fair value loss on an equity instrument at FVTOCI	–	–	–	(1,599)	–	(1,599)
Total comprehensive (expense) income for the year	–	–	–	(1,599)	41,723	40,124
Dividends paid	–	–	–	–	(31,591)	(31,591)
As at 31st December, 2021	**57,438**	**323,195**	**65,891**	**2,119**	**117,465**	**566,108**