

GOLIK
HOLDINGS LIMITED

2022

ANNUAL REPORT

Incorporated in Bermuda
with limited liability
Stock Code: 1118



GOLIK
ANNUAL REPORT



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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*)
Mr. PANG Chi To

Independent Non-executive Directors

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
Mr. LUK Kam Fan, Jimmy
(appointment effective 16th October, 2022)
Mr. LINN Hon Chung, Ambrose
(appointment effective 1st February, 2023)

COMPANY SECRETARY

Mr. HO Wai Yu, Sammy
FCCA MHKCS MHKSI

AUDIT COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
Mr. LUK Kam Fan, Jimmy
(appointment effective 16th October, 2022)
Mr. LINN Hon Chung, Ambrose
(appointment effective 1st February, 2023)

REMUNERATION COMMITTEE

Mr. PANG Tak Chung MH
(appointment effective 15th February, 2023)
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
Mr. LUK Kam Fan, Jimmy
(appointment effective 16th October, 2022)
Mr. LINN Hon Chung, Ambrose
(appointment effective 1st February, 2023)

NOMINATION COMMITTEE

Mr. PANG Tak Chung MH (*Chairman*)
Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
Mr. LUK Kam Fan, Jimmy
(appointment effective 16th October, 2022)
Mr. LINN Hon Chung, Ambrose
(appointment effective 1st February, 2023)

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
Fubon 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
United Overseas Bank Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.golik.com

STOCK CODE

1118

INVESTOR RELATION

ir@golik.com

FINANCIAL SUMMARY

For the year ended 31st December,

RESULTS

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Revenue	3,087,200	2,803,735	2,991,068	4,053,908	4,271,161
Profit (loss) before taxation	(78,195)	14,396	141,304	249,096	106,180
Income taxes	(1,826)	(5,945)	(23,659)	(27,553)	(15,642)
Profit (loss) for the year	(80,021)	8,451	117,645	221,543	90,538
Profit (loss) for the year attributable to:					
Shareholders of the Company	(84,782)	(6,233)	93,545	197,584	75,673
Non-controlling interests	4,761	14,684	24,100	23,959	14,865
	(80,021)	8,451	117,645	221,543	90,538

At 31st December,

ASSETS AND LIABILITIES

	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000	2022 HK\$'000
Total assets	2,206,830	2,358,997	2,446,006	3,147,841	3,035,259
Total liabilities	(1,221,081)	(1,389,410)	(1,340,574)	(1,840,778)	(1,757,123)
Net assets	985,749	969,587	1,105,432	1,307,063	1,278,136
Equity attributable to shareholders of the Company	934,918	908,435	1,016,887	1,193,866	1,169,736
Non-controlling interests	50,831	61,152	88,545	113,197	108,400
Total equity	985,749	969,587	1,105,432	1,307,063	1,278,136

BUSINESS PROFILE

METAL PRODUCTS



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



High-performance Wire Rope



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



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

BUILDING CONSTRUCTION MATERIALS



Steel Distribution



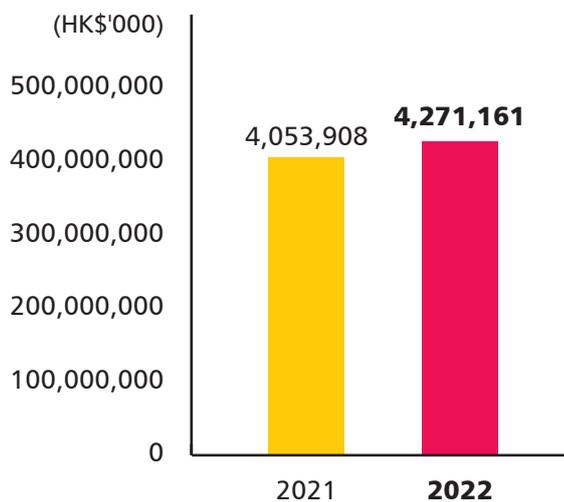
Supply of Ready Mixed Concrete



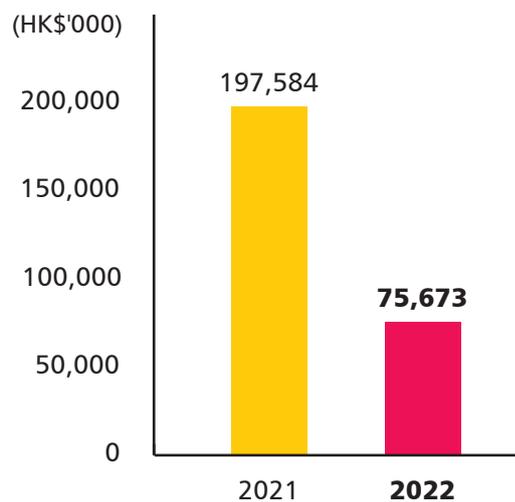
Automated Cut-and-bend Rebars Processing Plant in Tai Po, Hong Kong

FINANCIAL HIGHLIGHTS

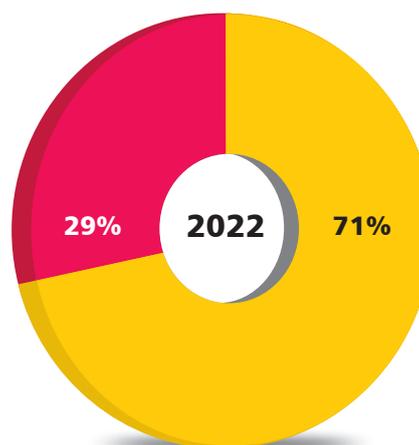
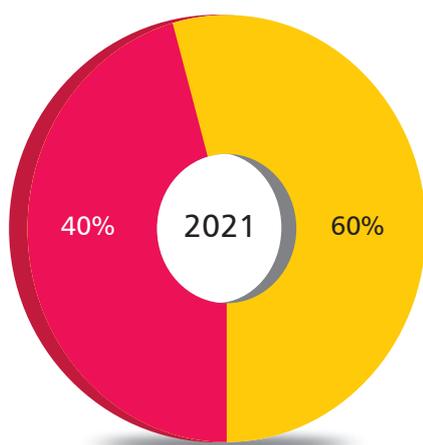
Revenue for the years ended 31st December, 2021 and 2022



Profit for the year attributable to shareholders of the Company for the years ended 31st December, 2021 and 2022



Revenue by operating segments for the years ended 31st December, 2021 and 2022



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

- Metal products **29%**
- Building construction materials **71%**
- Other operation **0%**

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

During the year, metal products in Mainland China and building construction materials in Hong Kong represent the Group's two major core businesses.

For the year ended 31st December, 2022, the Group's total revenue was approximately HK\$4,271,161,000, representing an increase of 5% compared to last year.

After the deduction of profit attributable to non-controlling interests, profit attributable to the Company amounted to approximately HK\$75,673,000, representing a decrease of 62% compared to last year.

The significant decrease in the profit for the year as compared to last year was mainly attributable to a special gain from the disposal of Mainland China business last year, and the overall greater negative impact of the COVID-19 pandemic on the Group during the year as compared to last year.

During the year under review, as the COVID-19 outbreak continued, both Hong Kong and Mainland China implemented the most stringent anti-pandemic measures since the outbreak, making it the most difficult time for the Group's business since the outbreak in three years in both Mainland China and Hong Kong.

Despite the challenging macro business environment, the Group's management at all levels managed to maintain normal operations for all businesses during the pandemic, striving to minimize the impact of the pandemic on the business and maintaining a relatively satisfactory level of revenue and profit for the year.



Pang Tak Chung MH
Chairman

CHAIRMAN'S STATEMENT

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\$1,222,314,000, a decrease of 24% compared to last year. Profit before interest and taxation amounted to approximately HK\$78,910,000, representing a decrease of 35% compared to last year.

The resurgence of the pandemic across Mainland China since last February, and the “dynamic zero-Covid” policy has led to significant restrictions on personnel and logistics, as well as a shrinking domestic market. The Group’s metal products business in Mainland China experienced the most difficult operating conditions since the outbreak of the pandemic, and the sluggish real estate market in Mainland China also affected the performance of the elevator wire rope business.

In recent years, the high-performance lifting rope project mainly developed in Tianjin has been able to make a profit contribution during the year, effectively offsetting the negative impact of the contraction of the elevator wire rope market due to the downturn in the Mainland China real estate market.

It is the Group’s unwavering determination to develop towards a high-end manufacturing industry, and it has been the goal of our efforts for many years. The Group places great emphasis on research and development (R&D) of high-end products with considerable investment of resources every year and has also made great achievements. In particular, the wire rope business in Tianjin has been developing into the high-end field step by step over the years, achieving a new milestone every year. In 2017, we were recognized as Tianjin Enterprise Technology Center; in 2018, we were recognized as Tianjin Key Laboratory; in 2019, we were rated as one of the Top 100 Manufacturing Enterprises in Tianjin; in 2020, we were recognized as a Technology Leading Enterprise in Tianjin; in 2021, we were awarded as an enterprise that leading an individual field of the manufacturing industry in Tianjin City, and last year, we were even awarded as an enterprise that leading an individual field of the manufacturing industry at the National Level, which is regarded as the “jewel in the crown” (皇冠上的明珠) in the manufacturing industry. We were also commissioned to prepare the International Standard ISO 4344:2022 for elevator wire rope, which was officially published. This is the first time that a Chinese enterprise has received this honor, which marks the further increase of China’s influence in international standardization and reflects the ability and efforts of our team. The Group is confident that through our team’s unremitting efforts, the Group’s wire rope business will continue to maintain its leading position in the industry.

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\$3,051,937,000, an increase of 25% compared to last year. Profit before interest and taxation was approximately HK\$85,213,000, representing an increase of 27% compared to last year.

CHAIRMAN'S STATEMENT

Hong Kong's construction industry was also affected by the pandemic during the year, with the fifth wave of the outbreak in the first quarter substantially slowing down the progress of various projects. Due to the recovery of the construction industry in Hong Kong, the overall construction volume increased and the Group participated in the supply of building construction materials for the construction of mobile cabin hospitals in the fourth quarter, the Group's delivery of building construction materials, including steel and concrete, increased during the year as compared to the previous year. However, the performance of the steel distribution business of our building construction materials business remained unsatisfactory during the year as steel prices fluctuated significantly again during the year and certain steel costs were difficult to control.

To cope with the future increase in demand for ready mixed concrete from the construction industry in Hong Kong, the Group has added a new ready mixed concrete production line in the first quarter of 2023, which is expected to further enhance the ready mixed concrete production capacity and strengthen its position in the building construction materials market.

The Hong Kong SAR Government has announced that the average annual expenditure on public works projects will reach HK\$300 billion in the next ten years. The construction industry in Hong Kong will enjoy a sustained and stable golden period, and the Group will seize the opportunity to capitalize on its strengths and take the building construction materials business to another level.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2022, the total bank balances and cash of the Group amounted to approximately HK\$541,569,000 (31st December, 2021: approximately HK\$672,722,000). As at 31st December, 2022, current ratio (current assets to current liabilities) for the Group was 1.49:1 (31st December, 2021: 1.49:1).

As at 31st December, 2022, the total borrowings of the Group amounted to approximately HK\$1,250,243,000 (31st December, 2021: approximately HK\$1,245,786,000).

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, 2022 was 574,378,128 (31st December, 2021: 574,378,128).

As at 31st December, 2022, the equity attributable to the shareholders of the Company amounted to approximately HK\$1,169,736,000 (31st December, 2021: approximately HK\$1,193,866,000).

As at 31st December, 2022, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.55:1 (31st December, 2021: 0.44:1).

CHAIRMAN'S STATEMENT

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2022, the total number of staff of the Group was 1,477. 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 year 2023 marks a turning point of the pandemic in the last three years when economic activities in Mainland China and Hong Kong began to resume after the adjustment to the anti-pandemic measures. Nonetheless, it will take some time for all industries to recover to the pre-pandemic level, especially the metal manufacturing industry in Mainland China, which is still facing fierce competition from the shrinking market. It is hoped that the market will turn for the better in the second half of the year. The building construction materials business will continue to benefit from the recovery of the construction industry in Hong Kong with steady improvement.

The Group has been in the industry for more than 45 years and has been able to grow steadily despite difficulties. Although there are still many challenges ahead, the management will continue to adopt prudent business strategies and lead all employees to overcome barriers and achieve long-term, stable and high-quality development.

ACKNOWLEDGEMENT

I personally take this opportunity to sincerely thank each employee and management staff in abundance for their past efforts and contributions. I would also like to thank our customers, shareholders, banks and business associates for their long-term support. With your continued support in the coming year, the Group endeavors to achieve even better results.

Pang Tak Chung 潘國強

Chairman

Hong Kong, 30th March, 2023

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Tak Chung 潘, aged 74, has been an executive director of the Company since 1996, currently is the chairman of the Company and the Group, the chairman of the nomination committee and a member of the remuneration 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 47 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 67, 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, 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 42 years’ experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Ms. Pang Wan Ping, aged 45, 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 20 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 潘, the chairman of the Company and the Group, and the sister of Mr. Pang Chi To, an executive director of the Company.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang Chi To, aged 46, 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. 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 21 years' experiences and exposure in the industrial plants and machineries aspect. Mr. Pang is the son of Mr. Pang Tak Chung 潘德興, 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 67, 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 42 years' advisory experience on taxation in Australia, Hong Kong and Mainland China.

Mr. Chan Yat Yan, aged 67, 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 55, 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 council member and 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 28 years' experience and exposure in the architectural field.



BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Luk Kam Fan, Jimmy, aged 63, has been an independent non-executive director of the Company since 2022, currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Luk holds a Degree of Bachelor of Art (Hons) in Economics majoring in finance and accounting from the University of Manchester, United Kingdom. He is an associate member of the Hong Kong Institute Certified Public Accountants and a corporate consultant working on his own in both Hong Kong and Australia. He has over 25 years' experience and exposure in the accounting, auditing, taxation and corporate advisory services with "Big Four", included PricewaterhouseCoopers and Deloitte Touche Tohmatsu.



Mr. Linn Hon Chung, Ambrose, aged 62, has been an independent non-executive director of the Company since 2023, currently is a member of the audit committee, remuneration committee and nomination committee of the Company. Mr. Linn holds a degree of Bachelor of Science (Hons) Finance and Marketing from the University of San Francisco, United States, he is the chief executive of Hong Kong Construction Materials Association Limited (the "Association"), the Association is the authoritative representative and unified voice for construction materials industry in Hong Kong and also a liaison key point between the industry and relative bureaus and work departments from the Hong Kong Government. Mr. Linn is a chartered fellow of The Chartered Institute of Logistics and Transport in Hong Kong, he has over 30 years' experience and exposure in the logistics industry, previously having served DHL Global Forwarding Asia Pacific, TNT Hong Kong and Kerry Logistics Hong Kong Limited for different positions at top management during which he participated in various value added strategic roles for integrated demand/supply/value chain management, air/ocean/road/multimodal freight forwarding transport services and technology based customer oriented data digitalization infrastructure.

CORPORATE GOVERNANCE REPORT

The Board is committed to maintain a good standard of corporate governance practices within the Group as set out in the Corporate Governance Code (the “CG Code”) as contained 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, 2022 except the followings:

Code provision C.1.6, generally independent non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Yu Kwok Kan, Stephen and Mr. Chan Yat Yan were unable to attend the annual general meeting of the Company held on 10th June, 2022 due to their other business engagement.

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, 2022.

THE BOARD

The Board currently comprises four executive directors and five 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

Independent Non-executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Hai Tuen Tai, Freddie
Mr. Luk Kam Fan, Jimmy (appointment effective 16th October, 2022)
Mr. Linn Hon Chung, Ambrose (appointment effective 1st February, 2023)

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	✓
Independent Non-executive Directors	
Mr. Yu Kwok Kan, Stephen	✓
Mr. Chan Yat Yan	✓
Mr. Hai Tuen Tai, Freddie	✓
Mr. Luk Kam Fan, Jimmy (appointment effective 16th October, 2022)	✓
Mr. Linn Hon Chung, Ambrose (appointment effective 1st February, 2023)	N/A

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 arranges 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, Hai Tuen Tai, Freddie, Luk Kam Fan, Jimmy and Linn Hon Chung, Ambrose 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 one executive director namely Mr. Pang Tak Chung MH and five independent non-executive directors namely Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan, Hai Tuen Tai, Freddie, Luk Kam Fan, Jimmy and Linn Hon Chung, Ambrose.

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 executive 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, 2022.

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 namely Mr. Pang Tak Chung MH and five independent non-executive directors namely Messrs. Yu Kwok Kan, Stephen, Chan Yat Yan, Hai Tuen Tai, Freddie, Luk Kam Fan, Jimmy and Linn Hon Chung, Ambrose. 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.

The nomination committee held one meeting during the year and discussed and review the structure, size, diversity profile and skills set of members of the Board against its needs for the year ended 31st December, 2022.

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 B.3.4 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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2022

Name	Number of Meetings attended/held during the year				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Pang Tak Chung MH	4/4	N/A	N/A	1/1	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	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1	1/1	0/1
Mr. Chan Yat Yan	4/4	4/4	1/1	1/1	0/1
Mr. Hai Tuen Tai, Freddie	4/4	4/4	1/1	1/1	1/1
Mr. Luk Kam Fan, Jimmy (appointment effective 16th October, 2022)	1/1	1/1	1/1	1/1	N/A
Mr. Linn Hon Chung, Ambrose (appointment effective 1st February, 2023)	N/A	N/A	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.

CORPORATE GOVERNANCE REPORT

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, 2022, 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, 2022, 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 2022 final results	2,383
Agreed-upon procedures in relation to preliminary results announcement	10
Fee for Occupational Retirement Schemes under Practice Note	8
Total fees	<u>2,401</u>

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 2022. This Report details our continuous effort in our Group’s ESG journey as we continue to aspire to be a positive contributor to our communities, our society and our environment.

Board Statement

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

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

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

Sustainability Governance Structure

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

Reporting Period

This Report covers our ESG performance in our Hong Kong and Mainland China operations from 1st January, 2022 to 31st December, 2022 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 operations in Hong Kong and our manufacturing facilities in Hong Kong and Mainland China, with an emphasis on Hong Kong. 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
<ul style="list-style-type: none"> • Annual General Meetings • Annual and Interim Results Press Releases • Announcements and Circulars • One-on-one Meetings • Website 	<ul style="list-style-type: none"> • Training Sessions • Team-building Activities • Newsletters 	<ul style="list-style-type: none"> • Screening and Assessments 	<ul style="list-style-type: none"> • Customer Service Hotlines • Screening and Assessments • Surveys 	<ul style="list-style-type: none"> • Community Events • Social Media 	<ul style="list-style-type: none"> • 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 2022, 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 2022 was 1,720 tonnes of CO₂e, which decreased by 9.95% compared to year 2021. The total direct and indirect carbon emissions (Scope 1&2) per production volume was 0.0043 tonne of CO₂e, while year 2021 was 0.0052 tonne of CO₂e, which demonstrated a decrease of the total carbon emissions of 17.31% compared to year 2021. Other emissions figures are: nitrogen oxides (NOx) emission was 6.96 tonnes, which increased by 13.36% compared to year 2021. Sulfur oxides (SOx) emission was 7.30 kgs, which increased by 14.06% compared to year 2021. The increase in NOx and SOx emission was due to some plant equipments modification during the year and an additional machinery on site. Particulate matter (PM) emission was 500.00 kgs, which increased by 13.22% compared to year 2021.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2022, the total quantity of chemical waste was 0.80 tonne, which is 0.0020 tonne per production volume and decreased by 9.09% compared to year 2021. The total quantity of non-hazardous waste produced was 10,507 tonnes which is 0.0260 tonne per production volume and increased by 4.00% compared to year 2021. 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 2022, the total electricity consumption for the selected plants was 1,279,265 kWh, decreased by 3.26% compared to year 2021. The electricity consumption was 3.19 kWh per production volume and decreased by 10.64% compared to year 2021. The total water consumption was 90,342 m³, which is 0.23 m³ per production volume. The water consumption was increased by 8.45%, and the water consumption per volume was increased by 4.55% compared to year 2021. The reason for the increase in water consumption intensity was due to the modification of the plant with additional machinery that requires additional water in the daily cleaning.

We also implement sustainable 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. As a sustainable green manufacturer – we will continue to research, develop, or utilize technologies and practices to lessen our impact on the environment.

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 3.19 kWh in 2022 and decreased by 10.64% compared to year 2021. 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 0.23 m³ (cubic meters per production unit) and a slight increased by 4.55% compared to year 2021. 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, 2022, the total workforce of the Group was 1,477 (2021: 1,505) 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% (2021: 84%) of our total employees, unchanged compared to year 2021. During the reporting period, the total employee turnover rate was 19% (2021: 28%), which is lower 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment and Labour Practices *(continued)*

HUMAN CAPITAL PROFILE

The Group		Number of Employees 1,477				
By Business Segment		Metal Products 1,076		Building Construction Materials 401		
By Employment Type		Permanent 996		Temporary 481		
By Gender		Male 1,235		Female 242		
By Employee Category		Managerial 105		Supervisory 81		General 1,291
By Age Group		30 or Below 189		31-50 945		51 or Above 343
By Region		Hong Kong 273		Mainland China 1,204		

EMPLOYMENT TURNOVER RATE

The Group		Number of Employees 281 (19%)				
By Gender		Male 249 (20%)		Female 32 (13%)		
By Age Group		30 or Below 79 (38%)		31-50 155 (16%)		51 or Above 47 (14%)
By Region		Hong Kong 53 (20%)		Mainland China 228 (19%)		

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 particular, 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 2,661 days during the reporting period, there were no record of serious work injuries or death.



Development and Training

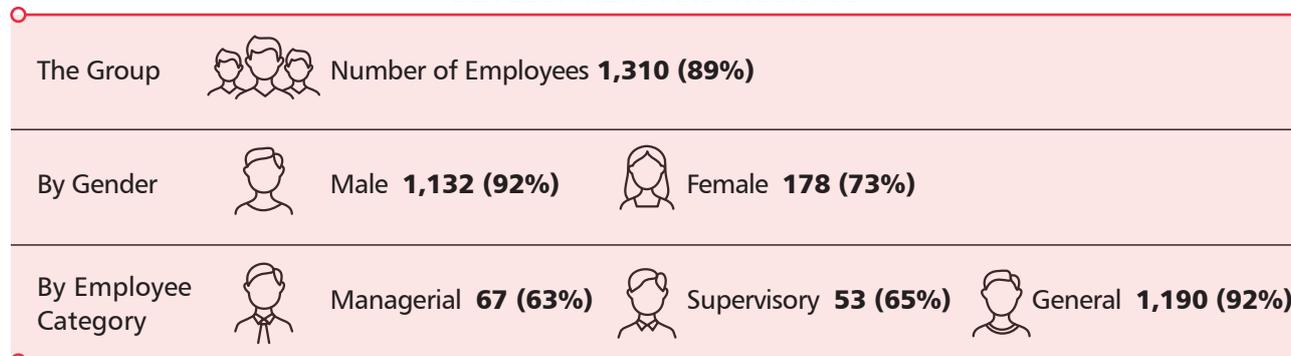
The Group encourages our employees to develop and advance their careers in our company. We also actively promote continuous learning initiatives and develop a range of training programs for our employees. The offering of trainings comprised of educational events and course on most various topics related 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, 1,310 (89%) employees in our Group received training. The Group provided a total of approximately 57,000 hours of different kinds of training to those relevant employees and the average training hours completed per employee during the reporting period was 44 hours.

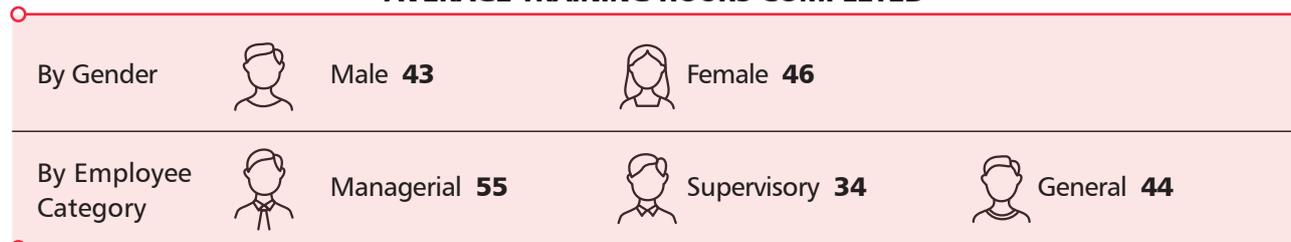
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training *(continued)*

DEVELOPMENT AND TRAINING



AVERAGE TRAINING HOURS COMPLETED



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, services, technical capability, quality of raw materials, location, delivery time and services etc. On top of this, we conduct partnership evaluation for our key suppliers and subcontractors on the aspects of quality, environmental and occupational safety. Partnered suppliers and subcontractors of the key processes are evaluated and approved by senior management and their performance is closely monitored with regular feedback from employees at workplace. This evaluation is conducted annually to keep track of the performance of our suppliers and contractors.

SUPPLIERS BY GEOGRAPHICAL REGION



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 2022, 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 2022	Year 2021
Emissions data			
Nitrogen oxides (NOx) emission (tonnes)	A1.1	6.96	6.14
Sulfur oxides (SOx) emission (kgs)	A1.1	7.30	6.40
Particulate matter (PM) emission (kgs)	A1.1	500.00	441.60
Carbon emissions			
Total direct and indirect carbon emissions (tonnes of CO ₂ e)	A1.2	1,720	1,910
Total direct and indirect carbon emissions (Scope 1 & 2) per production volume (tonnes of CO ₂ e)	A1.2	0.0043	0.0052
Hazardous waste			
Chemical waste produced (tonnes)	A1.3	0.80	0.80
Total hazardous waste produced per production volume (tonnes)	A1.3	0.0020	0.0022
Non-hazardous waste			
Solid waste produced (tonnes)	A1.4	10,507	9,396
Total non-hazardous waste produced per production volume (tonnes)	A1.4	0.0260	0.0250
Resources consumption			
Electricity consumption (kWh)	A2.1	1,279,265	1,322,390
Electricity consumption per production volume (kWh)	A2.1	3.19	3.57
Water Consumption (m ³)	A2.2	90,342	83,303
Water Consumption per production volume (m ³)	A2.2	0.23	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 25)
KPI A1.1	The types of emissions and respective emissions data.	Air and Greenhouse Emissions (page 25) Company Performance and Data Table (page 33)
KPI 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 25) Company Performance and Data Table (page 33)
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 26) Company Performance and Data Table (page 33)
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 26) Company Performance and Data Table (page 33)
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air and Greenhouse Emissions (page 25)
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 26)
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Performance (page 25) Use of Resources (page 26)
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 26) Company Performance and Data Table (page 33)
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources (page 26) Company Performance and Data Table (page 33)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources (page 26)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
A. ENVIRONMENTAL <i>(continued)</i>		
Aspect A2: Use of Resources <i>(continued)</i>		
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 26)
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 26)
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 27)
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 27)
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 27)
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 27)
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 27)
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 27) Human Capital Profile (page 28)
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Practices (page 27) Employment Turnover Rate (page 28)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL <i>(continued)</i>		
Employment and Labour Practices <i>(continued)</i>		
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 29)
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 29)
KPI B2.2	Lost days due to work injury.	Health and Safety (page 29) Lost Days due to Work Injury (page 29)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety (page 29)
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 29)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training (page 29 and 30)
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training (page 29 and 30) Average Training Hours Completed (page 30)
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 30)
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards (page 30)
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards (page 30)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL <i>(continued)</i>		
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management (page 31)
KPI B5.1	Number of suppliers by geographical region.	Suppliers by Geographical Region (page 31)
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 31)
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 31)
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 31)
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 32)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility (page 32)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility (page 32)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility (page 32)
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility (page 32)
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility (page 32)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Relevant Chapter or References
B. SOCIAL <i>(continued)</i>		
Operating Practices <i>(continued)</i>		
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 32)
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 32)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption (page 32)
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption (page 32)
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 33)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment (page 33)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment (page 33)

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2022.

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 42, 18 and 19 respectively to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2022 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 to the shareholders whose names appear on the register of members of the Company on 21st June, 2023, total amounting to approximately HK\$17,231,000, subject to the approval of the shareholders at the forthcoming annual general meeting.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$52,865,000. In addition, property, plant and equipment with carrying values of approximately HK\$372,000 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 16 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 30 and 31 respectively to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2022 were as follows:

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Contributed surplus	65,891	65,891
Retained profits	166,613	117,465
	232,504	183,356

DIRECTORS' REPORT

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

Independent Non-executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Hai Tuen Tai, Freddie
Mr. Luk Kam Fan, Jimmy (appointment effective 16th October, 2022)
Mr. Linn Hon Chung, Ambrose (appointment effective 1st February, 2023)

In accordance with Bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Yu Kwok Kan, Stephen and Chan Yat Yan shall retire from office by rotation at the forthcoming annual general meeting, both being eligible, but not offer themselves for re-election, accordingly, Messrs. Pang Tak Chung ^{MH}, Luk Kam Fan, Jimmy and Linn Hon Chung, Ambrose shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

For the year ended 31st December, 2022, the Company's non-executive directors were appointed for a specific term. All directors (including independent non-executive directors) are also subject to retirement by rotation in accordance with the Company's Bye-laws.

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2022, 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

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

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

Share options

No share option was outstanding as at 1st January, 2022 and 31st December, 2022. As at the date of this annual report, the total number of share options available for issue under the share option scheme was 56,192,250, representing 10% of the issued share capital of the Company. Particulars of the share option scheme of the Company are set out in note 31 to the consolidated financial statements.

(2) Shares in subsidiaries

As at 31st December, 2022, 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, 2022, 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, 2022, 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, 2022, 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 63% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 32% 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 31 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\$751,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Details of Environmental, Social and Governance Report of the Group are set out on pages 23 to 38 of this annual report.

CONNECTED TRANSACTIONS

Transactions with an associate are disclosed as related party transactions in note 37 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 彭卓光
Chairman

Hong Kong, 30th March, 2023

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 140, which comprise the consolidated statement of financial position as at 31st December, 2022, 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, 2022, 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 ("HKSA") 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key audit matter

Write-down of inventories of a subsidiary of the Company

We identified the write-down of inventories of steel products of a subsidiary of the Company, Golik Steel (HK) Limited ("GSHK"), as a key audit matter due to its significance to the consolidated financial statements as a whole as at 31st December, 2022.

As at 31st December, 2022, the carrying amount of inventories of GSHK was HK\$557,928,000 (net of write-down of inventories of HK\$18,645,000). As set out in note 4 to the consolidated financial statements, the net realisable values are subject to fluctuation of market prices of steel products. When there is a downward trend in the market, the selling price of the steel products of GSHK may decrease which imposes pressures to the net realisable values of steel products.

How our audit addressed the key audit matter

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

- Understanding how the management of the Group estimates the net realisable values of the inventories of steel products;
- Evaluating the reasonableness of the future selling prices, on a sample basis, by comparing them with the contracted selling prices or the actual selling prices achieved subsequent to year end; and
- Challenging the appropriateness of the key assumptions and estimates made by the management in estimating the cost necessary to make the sale by evaluating the historical accuracy of these estimates, on a sample basis, and discussing any significant variances with the management as well as considering the impact of these variances on the current year's assumptions and estimates.

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.



INDEPENDENT AUDITOR'S REPORT

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 HKSA's 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.

As part of an audit in accordance with HKSA's, 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.

INDEPENDENT AUDITOR'S REPORT

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

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.

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, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Revenue	5	4,271,161	4,053,908
Cost of sales		(3,818,275)	(3,538,908)
Gross profit		452,886	515,000
Other income	6	51,229	42,296
Selling and distribution costs		(139,875)	(131,716)
Administrative expenses		(159,890)	(196,063)
(Impairment losses) reversal of impairment losses under expected credit losses ("ECL") model, net	7	(2,752)	4,088
Other gains and losses	8	(10,135)	101,024
Other expenses		(44,514)	(58,218)
Finance costs		(41,517)	(27,130)
– Interest on bank borrowings		(29,952)	(15,831)
– Interest on lease liabilities		(11,565)	(11,299)
Share of result of a joint venture		(251)	(188)
Share of result of an associate		999	3
Profit before taxation		106,180	249,096
Income taxes	9	(15,642)	(27,553)
Profit for the year	10	90,538	221,543
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
– Exchange difference arising on translation of foreign operations		(54,405)	17,436
– Release from exchange reserve upon disposal/deregistration of subsidiaries		422	(1,338)
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")		(113)	(1,599)
Other comprehensive (expense) income for the year		(54,096)	14,499
Total comprehensive income for the year		36,442	236,042
Profit for the year attributable to:			
Shareholders of the Company		75,673	197,584
Non-controlling interests		14,865	23,959
		90,538	221,543
Total comprehensive income for the year attributable to:			
Shareholders of the Company		33,308	208,570
Non-controlling interests		3,134	27,472
		36,442	236,042
		HK cents	HK cents
Basic earnings per share	14	13.17	34.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2022

	NOTES	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Non-current Assets			
Property, plant and equipment	16	490,690	491,559
Right-of-use assets	17	226,427	280,809
Interest in a joint venture	18	5,045	5,296
Interest in an associate	19	–	–
Amount due from an associate	19	1,366	367
Equity instrument at FVTOCI	20	2,006	2,119
Insurance policy assets	21	14,072	13,872
Rental and other deposits	23	2,905	8,376
Deposits paid for acquisition of property, plant and equipment		4,682	8,271
Loan receivables	23	2,380	1,639
		749,573	812,308
Current Assets			
Inventories	22	784,999	760,901
Trade, bills, loan and other receivables	23	959,118	899,800
Income tax recoverable		–	2,110
Bank balances and cash	24	541,569	672,722
		2,285,686	2,335,533
Current Liabilities			
Trade, bills and other payables	25	226,579	238,343
Contract liabilities	26	9,620	38,432
Lease liabilities	27	29,197	40,496
Amounts due to non-controlling shareholders	28	3,200	3,200
Income tax payable		10,280	6,062
Bank borrowings	29	1,250,243	1,245,786
		1,529,119	1,572,319
Net Current Assets			
		756,567	763,214
		1,506,140	1,575,522

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December, 2022

	NOTES	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Capital and Reserves			
Share capital	30	57,438	57,438
Share premium and reserves		1,112,298	1,136,428
Equity attributable to shareholders of the Company			
Non-controlling interests	42	1,169,736	1,193,866
		108,400	113,197
Total Equity		1,278,136	1,307,063
Non-current Liabilities			
Deferred tax liabilities	32	24,132	25,425
Lease liabilities	27	203,872	243,034
		228,004	268,459
		1,506,140	1,575,522

The consolidated financial statements on pages 49 to 140 were approved and authorised for issue by the Board of Directors on 30th March, 2023 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, 2022

	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)	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, 2021	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
Profit for the year	-	-	-	-	-	-	75,673	75,673	14,865	90,538
Other comprehensive (expense) income for the year										
Exchange difference arising on translation of foreign operations	-	-	(42,674)	-	-	-	-	(42,674)	(11,731)	(54,405)
Deregistration of a subsidiary	-	-	422	-	-	-	-	422	-	422
Fair value loss on an equity instrument at FVTOCI	-	-	-	-	(113)	-	-	(113)	-	(113)
Total comprehensive (expense) income for the year	-	-	(42,252)	-	(113)	-	75,673	33,308	3,134	36,442
Dividends paid to the shareholders of the Company (note 13)	-	-	-	-	-	-	(57,438)	(57,438)	-	(57,438)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(7,931)	(7,931)
Transfer between reserves	-	-	-	4,589	-	-	(4,589)	-	-	-
Transfer upon deregistration of a subsidiary	-	-	-	(3,337)	-	-	3,337	-	-	-
At 31st December, 2022	57,438	323,195	1,484	44,880	2,006	(21,186)	761,919	1,169,736	108,400	1,278,136



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2022

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, 2022

	2022 HK\$'000	2021 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	106,180	249,096
Adjustments for:		
(Gain) loss on disposal of property, plant and equipment	(674)	1,147
Gain on disposal of subsidiaries	–	(101,944)
Loss (gain) on lease modification	48	(572)
(Reversal of) write-down of inventories	(14,311)	17,527
Depreciation of property, plant and equipment	34,731	40,955
Depreciation of right-of-use assets	46,431	53,469
Interest income	(2,930)	(1,923)
Finance costs	41,517	27,130
Share of result of a joint venture	251	188
Share of result of an associate	(999)	(3)
Impairment losses (reversal of impairment losses) under ECL model, net	2,752	(4,088)
Operating cash flows before movements in working capital	212,996	280,982
Increase in inventories	(27,374)	(327,107)
Increase in rental and other deposits, and trade, bills and other receivables	(87,257)	(114,247)
Increase in trade, bills and other payables	2,407,251	2,133,118
(Decrease) increase in contract liabilities	(27,726)	13,411
Cash generated from operations	2,477,890	1,986,157
Hong Kong Profits Tax paid	(1,305)	(82)
Hong Kong Profits Tax refunded	81	389
Taxation outside Hong Kong paid	(13,874)	(33,177)
Taxation outside Hong Kong refunded	5,179	5,735
NET CASH FROM OPERATING ACTIVITIES	2,467,971	1,959,022

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
INVESTING ACTIVITIES			
Interest received		2,373	1,609
Net cash inflow on disposal of subsidiaries	33	–	45,345
Payment on tax arising from disposal of subsidiaries		–	(5,250)
Proceeds from disposal of property, plant and equipment		1,045	3,506
Repayment from an associate		900	1,125
Repayment of loan receivables		923	805
Purchase of property, plant and equipment		(46,427)	(35,267)
Deposits paid for acquisition of property, plant and equipment		(3,440)	(7,996)
Payments for rental deposits		(3,721)	(2,926)
Payments for insurance policy assets		(200)	(578)
Release of bank deposits with original maturity over three months		–	2,376
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(48,547)	2,749
FINANCING ACTIVITIES			
Repayments of trust receipt loans		(2,339,021)	(1,539,541)
Repayments of bank loans		(220,698)	(266,412)
Repayments of lease liabilities		(43,199)	(48,226)
Interest paid		(41,606)	(26,670)
Dividends paid		(57,438)	(31,591)
Dividend paid to non-controlling interests		(7,931)	(2,820)
Bank loans raised		164,558	199,364
NET CASH USED IN FINANCING ACTIVITIES		(2,545,335)	(1,715,896)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(125,911)	245,875
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		672,722	422,881
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(5,242)	3,966
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		541,569	672,722
Represented by:			
bank balances and cash		541,569	672,722

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 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 Group’s annual periods beginning on 1st January, 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

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

2.1 Impacts on application of Amendments to HKAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The Group has applied the amendments for the first time in current year. 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).

In accordance with the transitional provisions, the amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, 1st January, 2022. Specifically, 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 has had no material impact on the financial position and performance of the Group.

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 (including the October, 2020 and February, 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
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	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1st January, 2024.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.
- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

Based on the Group’s outstanding liabilities as at 31st December, 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group’s liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 *Inventories* 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Investments in an associate and a joint venture

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Revenue from contracts with customers

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

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

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Research expenditure

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

Leases

Definition of a lease

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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)

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Leases *(continued)*

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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".

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

3.2 Significant accounting policies *(continued)*

Taxation *(continued)*

Deferred tax (continued)

For 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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, 2022

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 these assets are assessed based on collective assessment with reference to loss patterns as reflected in the debtors' historical payment pattern. Trade debtors with significant balances that are credit-impaired are assessed for impairment individually.

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

(i) Significant increase in credit risk

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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)*

(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 adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Except for debtors with significant outstanding balances or credit-impaired which are assessed individually, lifetime ECL for remaining debtors are considered on a collective basis taking into consideration of grouping of internal credit rating by reference to past due information and relevant credit information, and forward-looking macroeconomic information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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, bills 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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.

Write-down of inventories

The Group's inventories include steel products, concrete products and other construction products. The write-down of inventories is mainly related to inventories of GSHK. The net realisable values are subject to fluctuation of market prices of steel products. When there is a downward trend in the market, the selling price of the steel products of GSHK may decrease which imposes pressures to the net realisable values of steel products.

As at 31st December, 2022, the carrying amount of inventories of GSHK was HK\$557,928,000 (net of write-down of inventories of HK\$18,645,000 (2021: HK\$502,488,000 (net of write-down of inventories of HK\$35,037,000))).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers

For the year ended 31st December, 2022

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	1,219,040	–	–	1,219,040
Concrete products	–	496,880	–	496,880
Construction steel products and processing, and other construction products	–	2,446,346	–	2,446,346
Service income				
Processing income	–	44,866	–	44,866
Transportation income	–	63,830	–	63,830
Revenue from contract with customers	1,219,040	3,051,922	–	4,270,962
Interest income on money lending	–	–	199	199
Total revenue	1,219,040	3,051,922	199	4,271,161

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	–	1,945,729	–	1,945,729
Service income				
Processing income	–	57,983	–	57,983
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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 processing 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, processing 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. Processing income of HK\$57,983,000 grouped under sales of goods in construction steel products and processing, and other construction products in building construction materials segment have been updated from HK\$2,003,712,000 to HK\$1,945,729,000 for comparative figures.

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

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2021: 30 to 120 days) to its customers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. REVENUE AND SEGMENT INFORMATION *(continued)*

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

2022

	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	1,219,040	3,051,922	4,270,962	199	–	4,271,161
Inter-segment sales	3,274	15	3,289	91	(3,380)	–
Total	1,222,314	3,051,937	4,274,251	290	(3,380)	4,271,161
SEGMENT RESULT						
	78,910	85,213	164,123	213	–	164,336
Unallocated other income and other gains						1,748
Unallocated corporate expenses						(19,135)
Finance costs						(41,517)
– Interest on bank borrowings						(29,952)
– Interest on lease liabilities						(11,565)
Share of result of a joint venture						(251)
Share of result of an associate						999
Profit before taxation						106,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

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

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, and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

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

2022

	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	20,932	13,638	34,570	–	161	34,731
Depreciation of right-of-use assets	15,934	23,929	39,863	–	6,568	46,431
Impairment losses (reversal of impairment losses) under ECL model, net	2,296	506	2,802	(50)	–	2,752
Net (reversal of) write-down of inventories	2,071	(16,382)	(14,311)	–	–	(14,311)
(Gain) loss on disposal of property, plant and equipment	(675)	1	(674)	–	–	(674)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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:

2022

	Revenue from external customers				Non-current assets HK\$'000
	Metal products HK\$'000	Building construction materials HK\$'000	Other operation HK\$'000	Total HK\$'000	
Hong Kong	8,097	2,891,038	199	2,899,334	291,566
Mainland China	1,062,362	7,027	–	1,069,389	435,907
Macau	–	153,857	–	153,857	–
Others	148,581	–	–	148,581	–
	1,219,040	3,051,922	199	4,271,161	727,473

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

2021

	Revenue from external customers				Non-current assets HK\$'000
	Metal products HK\$'000	Building construction materials HK\$'000	Other operation HK\$'000	Total 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

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, 2022 and the expected timing of recognising revenue within one year and more than one year but within two years amounting to HK\$1,037,496,000 (2021: HK\$1,168,814,000) and HK\$384,100,000 (2021: HK\$730,231,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Rental income from property, plant and equipment (note a)	1,021	–
Sales of scraps and samples	18,539	14,994
Claims and compensation received	6,498	1,744
Crane and weighbridge income	4,875	4,270
Processing income	660	921
Government grants (note b)	13,790	14,256
Interest income	2,930	1,923
(Loss) gain on lease modification	(48)	572
Transportation income	24	747
Storage income	512	531
Sundry income	2,428	2,338
	51,229	42,296

Notes:

- (a) During the year ended 31st December, 2022, the Group recognised lease income of HK\$1,021,000 for operating leases as a lessor with fixed lease payments.
- (b) During the year ended 31st December, 2022, the government grants mainly comprise an encouragement for operating in an economic development zone in Tianjin of HK\$2,922,000 (2021: HK\$11,866,000), funds for “Employment Stabilizing Subsidy” in Tianjin and Guangdong provinces of HK\$183,000 (2021: HK\$895,000) and Covid-19-related subsidies which relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region of HK\$5,827,000 (2021: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	2022 HK\$'000	2021 HK\$'000
Net impairment losses (reversal of impairment losses) on:		
– Amount due from an associate	(900)	(1,125)
– Trade receivables	3,780	(2,471)
– Loan receivables	(50)	(24)
– Other receivables	(78)	(468)
	2,752	(4,088)

Details of impairment assessment are set out in note 39(f).

8. OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Gain on disposal of subsidiaries (note 33)	–	(101,944)
(Gain) loss on disposal of property, plant and equipment	(674)	1,147
Net exchange loss (gain)	10,809	(227)
	10,135	(101,024)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

9. INCOME TAXES

	2022 HK\$'000	2021 HK\$'000
The charge comprises:		
Current year		
Hong Kong Profits Tax	6,712	422
Mainland China Enterprise Income Tax	10,876	21,027
Withholding tax paid for distributed profits in Mainland China	1,605	1,567
Tax arising from the disposal of subsidiaries	–	5,250
	19,193	28,266
(Overprovision) underprovision in prior years		
Hong Kong Profits Tax	(413)	79
Mainland China Enterprise Income Tax	(1,845)	(5,337)
	(2,258)	(5,258)
Deferred taxation (note 32)	(1,293)	4,545
	15,642	27,553

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%.

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 2022 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, 2022 and 2021, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Profit before taxation	29,408	119,235	76,772	129,861	106,180	249,096
Domestic income tax rate	16.50%	16.50%	25.00%	25.00%		
Tax at the domestic income tax rate	4,852	19,674	19,193	32,465	24,045	52,139
Tax effect of share of result of a joint venture	–	–	63	47	63	47
Tax effect of share of result of an associate	(165)	–	–	–	(165)	–
Tax effect of expenses not deductible for tax purpose	731	2,099	2,138	429	2,869	2,528
Tax effect of income not taxable for tax purpose	(4,464)	(16,860)	(911)	(182)	(5,375)	(17,042)
Tax effect of tax losses not recognised	7,269	5,326	–	–	7,269	5,326
Tax effect of utilisation of tax losses previously not recognised	(1,047)	(12,635)	–	–	(1,047)	(12,635)
Tax effect of other deductible temporary differences not recognised	1,315	5,870	7,596	1,356	8,911	7,226
Tax effect of utilisation of other temporary differences not recognised	(3,743)	(1,352)	(71)	(427)	(3,814)	(1,779)
Effect of tax concession granted to Mainland China subsidiaries	–	–	(18,171)	(13,401)	(18,171)	(13,401)
Withholding tax paid	1,605	1,567	–	–	1,605	1,567
Withholding tax on retained profits to be distributed	60	2,700	–	–	60	2,700
(Overprovision) underprovision in prior years	(413)	79	(1,845)	(5,337)	(2,258)	(5,258)
Income tax at concessionary rate	(165)	(165)	–	–	(165)	(165)
Tax arising from the disposal of subsidiaries	–	5,250	–	–	–	5,250
Others	776	582	1,039	468	1,815	1,050
Income taxes for the year	6,611	12,135	9,031	15,418	15,642	27,553

Details of deferred taxation are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

10. PROFIT FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3,651	3,886
Cost of inventories recognised as expense including net reversal of write-down of inventories of HK\$14,311,000 (2021: net write-down of inventories of HK\$17,527,000)	3,818,275	3,538,908
Depreciation of property, plant and equipment	34,731	40,955
Depreciation of right-of use assets	46,431	53,469
Interest income on rental deposits	(191)	(317)
Interest income from an associate	(510)	(531)
Interest income on bank deposits	(1,924)	(787)
Other interest income	(305)	(288)
Research expenditure included in other expenses (including worker and staff costs of HK\$17,896,000 (2021: HK\$17,901,000) and depreciation of right-of-use assets of HK\$1,189,000 (2021: HK\$1,265,000))	44,514	58,218
Worker and staff costs including directors' emoluments and contributions to retirement benefits scheme	309,676	323,006

During the year ended 31st December, 2022, depreciation of right-of-use assets in relation to director's accommodation amounting to HK\$1,894,000 (2021: HK\$1,873,000) is included in directors' emoluments under worker and staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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:

2022

	Mr. Pang HK\$'000 (Note a and c)	Ho Wai Yu, Sammy HK\$'000 (Note a)	Pang Wan Ping HK\$'000 (Note a & d)	Pang Chi To HK\$'000 (Note a)	Yu Kwok Kan, Stephen HK\$'000 (Note b)	Chan Yat Yan HK\$'000 (Note b)	Hai Tuen Tai, Freddie HK\$'000 (Note b)	Luk Kam Fan, Jimmy HK\$'000 (Note b & i)	2022 Total HK\$'000
Fees	-	-	-	-	238	238	238	50	764
Other emoluments									
Salaries and other benefits	6,510	4,124	1,264	950	-	-	-	-	12,848
Bonus*	3,500	3,500	500	220	-	-	-	-	7,720
Contributions to retirement benefits scheme	-	-	101	76	-	-	-	-	177
	10,010	7,624	1,865	1,246	238	238	238	50	21,509

2021

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

Notes:

- (a) The executive directors' emoluments shown above were for their services in connection with their management for business 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 was also the chief executive officer (the "CEO") of the Company for the year ended 31st December, 2021 and his emoluments disclosed above included those for services rendered by him as the CEO. Effective from 1st January, 2022, Mr. Pang has ceased to be the CEO, but remains as an executive director of the Company and also the chairman of the Company and the Group.
- (d) Ms. Pang Wan Ping has been appointed as the CEO with effect from 1st January, 2022. Her emoluments disclosed above include those for services rendered by her as the CEO.
- (e) No director waived any emoluments for the two years ended 31st December, 2022 and 2021.
- (f) Mr. Lau Ngai Fai resigned as an executive director with effect from 1st July, 2021.
- (g) Mr. Pang Chi To has been appointed as an executive director with effect from 1st August, 2021.
- (h) Mr. Hai Tuen Tai, Freddie has been appointed as an independent non-executive director with effect from 16th June, 2021.
- (i) Mr. Luk Kam Fan, Jimmy has been appointed as an independent non-executive director with effect from 16th October, 2022.
- (j) Mr. Linn Hon Chung, Ambrose has been appointed as an independent non-executive director with effect from 1st February, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included three directors (2021: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2021: two individuals) are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	2,309	1,848
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	2,081	–
Contributions to retirement benefits scheme	167	–
	4,557	10,348

Their emoluments were within the following bands:

	2022 Number of employees	2021 Number of employees
HK\$5,000,001 - HK\$5,500,000	–	2
HK\$2,500,001 - HK\$3,000,000	1	–
HK\$1,500,001 - HK\$2,000,000	1	–
	2	2

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

13. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends paid:		
2021 Final - HK3 cents (2021: 2020 Final - HK3.5 cents) per ordinary share	17,231	20,103
2021 Special - HK5 cents (2021: Nil) per ordinary share	28,719	–
2022 Interim - HK2 cents (2021: 2021 Interim - HK2 cents) per ordinary share	11,488	11,488
	57,438	31,591
Dividend proposed:		
Final dividend proposed for the year – HK3 cents (2021: HK3 cents) per ordinary share	17,231	17,231
Special dividend proposed for the year – Nil (2021: HK5 cents) per ordinary share	–	28,719
	17,231	45,950

The directors proposed the payment of a final dividend of HK3 cents (2021: HK3 cents and a special dividend of HK5 cents) per share for the year ended 31st December, 2022 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 (2021: 574,378,128) ordinary shares in issue during the year.

No diluted earnings per share for the year ended 31st December, 2022 and 2021 was presented as there were no potential ordinary shares in issue during the year.

15. GOODWILL

	HK\$'000
COST	
At 1st January, 2021, 31st December, 2021 and 2022	3,808
IMPAIRMENT	
At 1st January, 2021, 31st December, 2021 and 2022	(3,808)
CARRYING AMOUNT	
At 1st January, 2021, 31st December, 2021 and 2022	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. 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, 2021	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
Exchange difference	(2,502)	(1,211)	(942)	(482)	(34,601)	(3,488)	(1)	(43,227)
Additions	1,273	99	1,253	941	5,188	44,111	-	52,865
Written-off/disposals	-	-	(387)	(5,062)	(16,857)	(218)	-	(22,524)
Written off of impaired assets	-	-	-	(93)	-	-	-	(93)
Reclassification	-	7	-	66	1,705	(1,771)	(7)	-
As at 31st December, 2022	237,929	31,267	27,342	22,729	548,854	80,552	89,584	1,038,257
DEPRECIATION AND IMPAIRMENT								
As at 1st January, 2021	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
Exchange difference	(2,003)	(587)	(607)	(376)	(21,023)	-	-	(24,596)
Provided for the year	4,702	1,780	1,548	1,503	25,198	-	-	34,731
Eliminated on written-off/disposals	-	-	(374)	(4,921)	(16,857)	-	-	(22,152)
Eliminated on written off of impaired assets	-	-	-	(93)	-	-	-	(93)
As at 31st December, 2022	132,908	22,482	22,114	19,648	346,499	-	3,916	547,567
CARRYING VALUES								
As at 31st December, 2022	105,021	8,785	5,228	3,081	202,355	80,552	85,668	490,690
As at 31st December, 2021	108,949	11,083	5,871	3,824	234,238	41,918	85,676	491,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. 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 $\frac{1}{3}$ %
Motor vehicles	10% - 33 $\frac{1}{3}$ %
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 and accumulated depreciation of HK\$230,000 were fully paid and recategorised from right-of-use assets to property, plant and equipment.

The carrying value of leasehold land and buildings comprises:

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Situated in Hong Kong	99,562	102,518
Situated in Mainland China	5,459	6,431
	105,021	108,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Land and buildings HK\$'000	Plant and machinery and equipment HK\$'000	Total HK\$'000
As at 31st December, 2021				
Carrying amount	11,294	205,115	64,400	280,809
As at 31st December, 2022				
Carrying amount	9,957	175,895	40,575	226,427
For the year ended 31st December, 2021				
Depreciation charge	422	36,849	16,198	53,469
For the year ended 31st December, 2022				
Depreciation charge	410	25,373	20,648	46,431
			31.12.2022	31.12.2021
			HK\$'000	HK\$'000
Expense relating to short-term leases			11,759	11,681
Total cash outflow for leases			66,523	71,206
Additions to right-of-use assets			11,445	64,546

For both years, the Group leases various offices, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

17. 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the Group has no leases that are committed but not yet commenced.

18. INTEREST IN A JOINT VENTURE

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Cost of investments (unlisted)	1,226	1,226
Share of post-acquisition profits and other comprehensive income	3,819	4,070
	5,045	5,296

Particulars of the joint venture as at 31st December, 2022 and 2021 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
			2022 %	2021 %	
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.

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For the year ended 31st December, 2022

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

Information of the joint venture that is not individually material

	2022 HK\$'000	2021 HK\$'000
The Group's share of loss and total comprehensive expense	(251)	(188)

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

	31.12.2022 HK\$'000	31.12.2021 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)	15,975	16,875
Less: impairment losses under ECL model	(6,347)	(7,247)
	9,628	9,628
Less: share of post-acquisition losses that are in excess of the cost of the investment	(8,262)	(9,261)
	1,366	367

The amount due from an associate after share of post-acquisition losses that are in excess of the cost of the investment of HK\$1,366,000 (2021: HK\$367,000) 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 39(f).

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For the year ended 31st December, 2022

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

Particulars of the associate as at 31st December, 2022 and 2021 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
			31.12.2022 %	31.12.2021 %	
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 (2021: 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\$15,975,000 (2021: HK\$16,875,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

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.

	2022 HK\$'000	2021 HK\$'000
Revenue	11,759	11,681
Profit and total comprehensive income for the year	2,219	7
	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Current assets	8,781	6,494
Non-current assets	6,059	8,197
Current liabilities	(3,587)	(3,657)
Non-current liabilities	(35,500)	(37,500)

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

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Net liabilities	(24,247)	(26,466)
Proportion of the Group's ownership interest in the associate	45%	45%
Share of net liabilities of the associate	(10,911)	(11,910)
Add: Share of post-acquisition losses that are in excess of the cost of the investment	8,262	9,261
10% pre-acquisition losses not shared	2,649	2,649
Carrying amount of the Group's interest in the associate	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

20. 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, 2022, the fair value of the investment is HK\$2,006,000 (2021: HK\$2,119,000) and a fair value loss on this equity instrument of HK\$113,000 (2021: HK\$1,599,000) has been recognised in other comprehensive income and accumulated in FVTOCI reserve.

As at 31st December, 2022, equity instrument at FVTOCI that is denominated in foreign currencies, currencies other than the functional currencies of relevant group entities.

21. INSURANCE POLICY ASSETS

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Insurance policy assets due after one year	14,072	13,872

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\$60,376,000 (2021: HK\$60,305,000). 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\$9,990,000 (2021: HK\$9,982,000) 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, 2022, 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\$7,031,000 (2021: HK\$6,831,000).

22. INVENTORIES

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Raw materials	55,982	66,678
Work in progress	84,737	102,323
Finished goods	642,380	589,606
Supplies	1,900	2,294
	784,999	760,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

23. RENTAL AND OTHER DEPOSIT, TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Trade receivables	901,147	823,102
Less: Impairment losses under ECL model	(44,304)	(41,378)
	856,843	781,724
Bills receivables	26,497	31,870
Loan receivables (Notes)	4,007	3,086
Less: Impairment losses under ECL model	(550)	(600)
	3,457	2,486
Prepayments	47,146	68,981
Rental and other deposits	23,472	18,462
Other receivables	28,495	28,355
Less: Impairment losses under ECL model	(21,507)	(22,063)
	77,606	93,735
Total trade, bills, loan and other receivables	964,403	909,815
Analysed for reporting purpose as:		
Current	959,118	899,800
Non-current - Loan receivables, net (Notes)	2,380	1,639
Non-current - Rental and other deposits	2,905	8,376
	964,403	909,815

As at 1st January, 2021, trade and bills receivables from contracts with customers amounted to HK\$691,940,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

23. RENTAL AND OTHER DEPOSIT, TRADE, BILLS, LOAN AND OTHER RECEIVABLES *(continued)*

Notes:

- a) As at 31st December, 2022, the loan receivables with the carrying amount of HK\$3,457,000 (2021: HK\$2,486,000) are secured over motor vehicles and repayable by instalments within seven years from the first drawdown date. They bear interest from 2.46% to 5.02% (2021: 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, 2022, the loan receivables with the carrying amount of Nil, net of impairment losses under ECL model of HK\$550,000 (2021: carrying amount of Nil, net of impairment losses under ECL model of HK\$600,000) are secured and repayable within one year. They bear interest at 5% per annum.
- c) During the year ended 31st December, 2022, reversal of impairment losses under ECL model of HK\$50,000 was recognised in the profit or loss (2021: HK\$24,000).

Other than the cash sales, the Group allows credit periods ranging from 30 to 120 days (2021: 30 to 120 days) to its customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

23. RENTAL AND OTHER DEPOSIT, 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:

	31.12.2022	31.12.2021
	HK\$'000	HK\$'000
0 - 30 days	345,885	362,599
31 - 60 days	339,002	265,391
61 - 90 days	118,051	107,015
91 - 120 days	41,791	48,749
More than 120 days	38,611	29,840
	883,340	813,594

As at 31st December, 2022, total bills received amounting to HK\$26,497,000 (2021: HK\$31,870,000) are held by the Group for future settlement of trade receivables of which certain bills amounting to HK\$12,900,000 (2021: HK\$11,386,000) 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\$331,667,000 (2021: HK\$313,467,000) 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\$31,642,000 (2021: HK\$25,415,000) 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\$28,790,000 (2021: HK\$42,758,000).

Details of impairment assessment of trade, bills, loan and other receivables are set out in note 39(f).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

24. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market interest rates.

As at 31st December, 2022, bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK\$8,415,000 (2021: HK\$137,597,000).

Details of impairment assessment of bank balances and cash are set out in note 39(f).

25. TRADE, BILLS AND OTHER PAYABLES

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Trade payables	115,584	103,374
Bills payables	15,011	–
Accruals	65,500	80,860
Deposits received	10,704	8,042
Other payables	19,780	46,067
	226,579	238,343

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

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
0 - 30 days	68,466	56,342
31 - 60 days	43,448	29,181
61 - 90 days	9,720	7,189
91 - 120 days	4,793	4,803
More than 120 days	4,168	5,859
	130,595	103,374

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

Trade, bills and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK\$1,852,000 (2021: HK\$1,772,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

26. CONTRACT LIABILITIES

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Metal products	7,077	10,246
Building construction materials	2,543	28,186
	9,620	38,432

As at 1st January, 2021, contract liabilities amounted to HK\$24,510,000.

All the contract liabilities at the beginning of 2022 and 2021 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.

27. LEASE LIABILITIES

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Lease liabilities payable:		
Within one year	29,197	40,496
Within a period of more than one year but not exceeding two years	21,153	26,920
Within a period of more than two years but not exceeding five years	34,159	52,052
Within a period of more than five years	148,560	164,062
	233,069	283,530
Less: Amount due for settlement within 12 months shown under current liabilities	(29,197)	(40,496)
	203,872	243,034

The weighted average incremental borrowing rates applied to lease liabilities range from 1.77% to 5.25% (2021: from 1.77% to 5.39%).

Lease liabilities that are denominated in currencies other than the functional currencies of the relevant group entities amounted to HK\$2,657,000 as at 31st December, 2022 (2021: HK\$3,902,000).

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

29. BANK BORROWINGS

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Bank loans	78,492	144,633
Trust receipt loans	1,171,751	1,101,153
	1,250,243	1,245,786
Analysed as:		
Secured (note 34)	1,250	3,750
Unsecured	1,248,993	1,242,036
	1,250,243	1,245,786
Carrying amounts of bank borrowings repayable based on the scheduled repayment dates set out in the loan agreements		
Within one year	45,785	26,908
Carrying amounts of bank borrowings containing a repayment on demand clause (shown under current liabilities) but repayable		
Within one year	1,204,458	1,217,628
Within a period of more than one year, but not exceeding two years	–	1,250
	1,204,458	1,218,878
	1,250,243	1,245,786

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

29. 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 4.85% to 6.66% (2021: 1.06% to 1.72%), 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 40.

The effective borrowing rates are ranging from 3.20% to 6.76% (2021: 1.06% to 5.55%) per annum.

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

Denominated in	Interest rate per annum	31.12.2022 HK\$'000	31.12.2021 HK\$'000
HK\$	Hong Kong Interbank Offered Rate ("HIBOR") plus 1.00% to 1.50% (2021: HIBOR plus 1.00% to 1.75%)	1,096,760	921,978
United States dollars (Note)	Secured Overnight Financing Rate ("SOFR") plus 1.25% (2021: London Interbank Offered Rate plus 1.00% to 1.25%)	76,241	205,780
RMB	Fixed rate ranging from 3.20% to 4.80% (2021: 4.10% to 5.50%)	77,242	118,028
		1,250,243	1,245,786

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

30. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2021, 31st December, 2021 and 2022	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2021, 31st December, 2021 and 2022	574,378,128	57,438

31. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

31. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

32. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Withholding tax on retained profits to be distributed HK\$'000	Others HK\$'000	Total HK\$'000
At 1st January, 2021	(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)
Credit (charge) to profit or loss	1,521	(168)	(60)	–	1,293
At 31st December, 2022	(17,896)	9,648	(16,440)	556	(24,132)

At the end of the reporting period, the Group has tax losses of HK\$673,969,000 (2021: HK\$637,276,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$58,472,000 (2021: HK\$59,489,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$615,497,000 (2021: HK\$577,787,000) 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\$116,964,000 (2021: HK\$92,361,000) 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\$12,588,000 (2021: HK\$3,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK\$104,376,000 (2021: HK\$88,991,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

33. DISPOSAL OF SUBSIDIARIES

On 30th July, 2021, Steel Wealth Metal Limited (“HK Steel Wealth”) and Dongguan Steel Wealth Metal Co., Ltd. (東莞富威鋼鐵分條有限公司) have ceased to be subsidiaries of the Company. The net assets of HK Steel Wealth at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash received prior to 2021	70,000
Cash received in 2021	68,000
	<hr/>
Total consideration received	138,000
	<hr/>
	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
	<hr/>
Net assets disposed of	36,460
	<hr/>
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 to profit or loss	1,338
	<hr/>
Gain on disposal	101,944
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration	138,000
Less: transaction costs paid	(934)
bank balances and cash disposed of	(21,721)
	<hr/>
Net cash inflow arising on disposal	115,345
Less: cash received prior to 2021	(70,000)
	<hr/>
Net cash inflow in 2021	45,345
	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

34. 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:

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Construction in progress	85,667	85,667

35. CAPITAL COMMITMENTS

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	3,558	9,566

36. 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\$16,018,000 (2021: HK\$13,397,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. 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	2022 HK\$'000	2021 HK\$'000
An associate	Expense relating to short-term leases	11,759	11,681
	Interest income	510	531

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.

38. 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 29, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31.12.2022	31.12.2021
	HK\$'000	HK\$'000
<i>Financial assets</i>		
Financial assets at amortised cost	1,442,481	1,506,300
Financial assets at FVTPL	14,072	13,872
Equity instrument at FVTOCI	2,006	2,119
<i>Financial liabilities</i>		
At amortised cost	1,457,595	1,454,494
<i>Lease liabilities</i>		
	233,069	283,530

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade, bills, loan and other receivables, bank balances and cash, amount due from an associate, trade, bills 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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, bills 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	
	31.12.2022 HK\$'000	31.12.2021 HK\$'000	31.12.2022 HK\$'000	31.12.2021 HK\$'000
HK\$	4,448	11,397	–	–
United States dollars	36,493	154,457	77,046	202,535
RMB	3,291	21,309	167	3,906
Others	2,010	2,142	880	1,036

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	
	31.12.2022 HK\$'000	31.12.2021 HK\$'000	31.12.2022 HK\$'000	31.12.2021 HK\$'000
HK\$	229	218	21,096	18,472
RMB	3,622	11,736	2,093	2,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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% (2021: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2021: 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% (2021: 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% (2021: 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	
	2022 HK\$'000	2021 HK\$'000
Foreign currencies		
HK\$	616	257
United States dollars	(934)	(1,204)
RMB	(194)	(1,112)
Others	(47)	(46)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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 23), lease liabilities (note 27), and bank borrowings (note 29). 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 21), variable-rate bank balances (note 24), amount due from an associate (note 19) and bank borrowings (note 29).

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 (2021: 50) interest rate benchmark reform basis points increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2021: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2022 would have decreased/increased by HK\$4,831,000 (2021: HK\$4,638,000).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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 balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

As at 31st December, 2022 and 2021, 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. Impairment losses amounted to HK\$3,780,000 (2021: reversal of impairment losses of HK\$2,471,000) 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 HK\$50,000 (2021: HK\$24,000) is recognised during the year. Details of the quantitative disclosures are set out below in this note.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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 in the past, ECL was made on these counterparties specifically in prior years. Reversal of impairment loss amounted HK\$78,000 (2021: impairment losses recognised of HK\$468,000) 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, 2022, the Group assessed the ECL for amount due from an associate and reversal of impairment loss amounted to HK\$900,000 (2021: HK\$1,125,000).

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

Bank balances and bills receivables

The credit risks on bank balances 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, 2022 and 2021, the Group assessed the ECL for bank balances and bills receivables were insignificant and thus no impairment loss under ECL model was recognised.

The Group has concentration of credit risk as 39% (2021: 39%) and 70% (2021: 67%) of the total bank balances was arising from Group's largest bank and the top three banks respectively.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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	2022 Gross carrying amount		2021 Gross carrying amount	
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at amortised cost								
Trade receivables	23	N/A	(Note 2)	Lifetime ECL - collective assessment	863,075		785,858	
			Loss	Lifetime ECL - credit-impaired	38,072	901,147	37,244	823,102
Amount due from an associate	19	N/A	Doubtful	Lifetime ECL - not credit-impaired	15,975	15,975	16,875	16,875
Loan receivables	23	N/A	Low risk Loss	12m ECL Lifetime ECL - credit-impaired	3,457 550	4,007	2,486 600	3,086
Other receivables and rental deposits	23	N/A	(Note 3) Loss	12m ECL Lifetime ECL - credit-impaired	12,119 21,507	33,626	17,131 22,063	39,194
Bank balances	24	(Note 1)	N/A	12m ECL	541,304	541,304	656,427	656,427
Bills receivables	23	(Note 1)	N/A	12m ECL	26,497	26,497	31,870	31,870

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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

	2022		2021	
	Average loss rate	Trade receivables HK\$'000	Average loss rate	Trade receivables HK\$'000
Internal credit rating				
Low risk	0.726%	863,075	0.526%	785,858

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, 2022, impairment losses under ECL model for trade receivables included HK\$6,232,000 (2021: HK\$4,134,000) based on collective assessment and HK\$38,072,000 (2021: HK\$37,244,000) for credit-impaired debtors respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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, 2021	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
– Transfer to credit-impaired	(3,114)	3,114	–
– Impairment losses reversed	(44)	(1,797)	(1,841)
New financial assets originated with gross carrying amount of HK\$858,652,000	5,431	190	5,621
Exchange difference	(175)	(679)	(854)
As at 31st December, 2022	6,232	38,072	44,304

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. FINANCIAL INSTRUMENTS *(continued)*

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

Trade receivables (continued)

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

	31.12.2022 Decrease in lifetime ECL		31.12.2021 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\$782,506,000 (2021: HK\$654,917,000)	(44)	(1,797)	(3,381)	(3,472)

Amount due from an associate

The following tables show 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, 2021	8,372
Impairment losses reversed	(1,125)
As at 31st December, 2021	7,247
Impairment losses reversed	(900)
As at 31st December, 2022	6,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. FINANCIAL INSTRUMENTS *(continued)*

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

Other receivables

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

	Lifetime ECL (credit- impaired) HK\$'000
As at 1st January, 2021	22,370
Impairment losses reversed	(468)
Exchange difference	161
	<hr/>
As at 31st December, 2021	22,063
Impairment losses reversed	(78)
Exchange difference	(478)
	<hr/>
As at 31st December, 2022	21,507

Loan receivables

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

	Lifetime ECL (credit- impaired) HK\$'000
As at 1st January, 2021	624
Impairment losses reversed	(24)
	<hr/>
As at 31st December, 2021	600
Impairment losses reversed	(50)
	<hr/>
As at 31st December, 2022	550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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\$968,627,000 and HK\$15,286,000 (2021: HK\$376,663,000 and HK\$49,559,000) 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 amount undiscounted cash flows HK\$'000	Carrying amount at 31.12.2022 HK\$'000
2022								
Non-derivative instruments								
Trade, bills and other payables	-	204,152	-	-	-	-	204,152	204,152
Bank borrowings								
– Fixed interest rate	3.69	17,522	61,007	-	-	-	78,529	77,242
– Variable interest rate	5.94	856,433	234,031	82,537	-	-	1,173,001	1,173,001
Amounts due to non-controlling shareholders	-	3,200	-	-	-	-	3,200	3,200
Lease liabilities	4.85	12,415	28,386	32,712	66,267	167,912	307,692	233,069
		1,093,722	323,424	115,249	66,267	167,912	1,766,574	1,690,664

	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 amount undiscounted cash flows HK\$'000	Carrying amount at 31.12.2021 HK\$'000
2021								
Non-derivative instruments								
Trade, bills 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. 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, 2022, the aggregate carrying amounts of these bank borrowings amounted to HK\$1,213,413,000 (2021: HK\$1,218,878,000). 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\$1,218,128,000 (2021: HK\$1,222,912,000).

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, 2022	1,183,483	27,910	6,735	–	1,218,128
31st December, 2021	865,946	355,709	1,257	–	1,222,912

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. FINANCIAL INSTRUMENTS *(continued)*

(h) Interest rate benchmark reform

As stated in note 29, 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

As at 31st December, 2022, all LIBOR settings have been either ceased to be provided by any administrator or no longer be representative.

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.

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, 2022. 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
		2022 HK\$'000	2021 HK\$'000	
Non-derivative financial liabilities				
Bank borrowings linked to HIBOR	2023/2022	1,096,760	921,978	HIBOR will continue till maturity
Bank borrowings linked to USD LIBOR	2022	N/A	3,630	LIBOR will continue till maturity
Bank borrowings linked to USD LIBOR	2022	N/A	198,173	Fallback clause clearly referring the alternative benchmark and the specific triggering event on which the clause is activated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. FINANCIAL INSTRUMENTS *(continued)*

(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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31.12.2022	31.12.2021			
Equity instrument at FVTOCI	Asset - HK\$2,006,000	Asset - HK\$2,119,000	Level 1	Quoted bid prices from a Frankfurt Stock Exchange	N/A
Insurance policy assets	Asset - HK\$14,072,000	Asset - HK\$13,872,000	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

40. 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 5 years (2021: leased properties, factories and staff quarters for 2 to 20 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK\$11,445,000 and HK\$11,431,000 (2021: HK\$64,546,000 and HK\$63,973,000) respectively.

During the year, trust receipt loans under supply chain financing arrangements of HK\$2,409,620,000 (2021: HK\$2,156,605,000) represent the payments to the suppliers by the relevant banks directly.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Bank borrowings HK\$'000	Amounts due to non-controlling shareholders HK\$'000	Lease liabilities HK\$'000	Dividends payable HK\$'000	Interest payables (included in other payables) HK\$'000	Total HK\$'000
As at 1st January, 2021	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
Financing cash flows	(2,395,161)	(7,931)	(54,764)	(57,438)	(30,041)	(2,545,335)
Trust receipt loans under supply chain financing arrangements	2,409,620	–	–	–	–	2,409,620
Cash dividends declared	–	–	–	57,438	–	57,438
Dividend declared to non-controlling shareholders of subsidiaries	–	7,931	–	–	–	7,931
New lease entered/lease modified	–	–	11,431	–	–	11,431
Exchange difference	(10,002)	–	(18,693)	–	–	(28,695)
Interest expenses	–	–	11,565	–	29,952	41,517
As at 31st December, 2022	1,250,243	3,200	233,069	–	683	1,487,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

42. 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
				31.12.2022	31.12.2021	
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
Fulwealth Metal Factory Limited	Incorporated	Hong Kong	HK\$20,000,000 Ordinary shares	100%	100%	Investment holding and operating a decoiling centre
Golik Capital Limited (formerly known as Daido Home Finance Limited)	Incorporated	Hong Kong	HK\$100,000 Ordinary shares	100%	100%	Money lending business
Golik Concrete Limited	Incorporated	Hong Kong	HK\$60,000,000 Ordinary shares	100%	100%	Investment holding and operating concrete batching plants
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

General information of principal subsidiaries (continued)

Name of company	Form of business structure	Place of incorporation/ principal place of business	Issued and fully paid share capital/paid up registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31.12.2022	31.12.2021	
Huizhou Golik New Materials Ltd.	Wholly foreign owned enterprise	Mainland China	RMB8,000,000 Registered capital	100%	100%	Manufacturing and sales of concrete pipes and related products
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, 2022

42. 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	
		2022	2021
Investment holding	The British Virgin Islands	5	5
Investment holding	Hong Kong	4	3
Inactive	Hong Kong	4	5
Inactive	Mainland China	2	2
Inactive	The British Virgin Islands	–	1
Others	Hong Kong	3	2
Others	Mainland China	–	1
		18	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.

	2022 HK\$'000	2021 HK\$'000
Profit allocated to non-controlling interests of		
TJ Goldsun Group	14,693	23,970
Individually immaterial subsidiaries	172	(11)
	14,865	23,959
	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Accumulated non-controlling interests of		
TJ Goldsun Group	129,213	134,193
Individually immaterial subsidiaries	(20,813)	(20,996)
	108,400	113,197

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

42. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

General information of principal subsidiaries (continued)

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

TJ Goldsun Group

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Current assets	431,269	470,393
Non-current assets	366,048	403,884
Current liabilities	(176,172)	(208,033)
Non-current liabilities	(181,247)	(209,804)
Equity attributable to owners of the TJ Goldsun Group	310,685	322,247
Non-controlling interests	129,213	134,193
	2022 HK\$'000	2021 HK\$'000
Revenue	830,635	957,516
Expenses	(780,827)	(876,262)
Profit attributable to owners of TJ Goldsun Group	35,115	57,284
Profit attributable to the non-controlling interests	14,693	23,970
Profit for the year	49,808	81,254
Other comprehensive income to owners of TJ Goldsun Group	(28,063)	8,395
Other comprehensive income to the non-controlling interests	(11,742)	3,513
Other comprehensive income for the year	(39,805)	11,908
Total comprehensive income for the year attributable to owners of TJ Goldsun Group	7,052	65,679
Total comprehensive income for the year attributable to the non-controlling interests	2,951	27,483
Total comprehensive income for the year	10,003	93,162
Dividend paid to non-controlling interests for the year	(7,931)	(2,820)
Net cash inflow from operating activities	84,449	83,528
Net cash outflow from investing activities	(26,422)	(35,693)
Net cash outflow from financing activities	(55,864)	(60,083)
Net cash inflow (outflow) for the year	2,163	(12,248)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

	31.12.2022 HK\$'000	31.12.2021 HK\$'000
Non-current Assets		
Property, plant and equipment	673	428
Right-of-use assets	12,666	15,425
Investments in subsidiaries	489,486	489,486
Amounts due from subsidiaries	45,169	43,572
Equity instrument at FVTOCI (note 20)	2,006	2,119
Insurance policy assets	10,497	10,390
Rental deposits	1,238	1,114
	561,735	562,534
Current Assets		
Deposits, prepayment and other receivables	1,265	952
Amounts due from subsidiaries	223,965	157,489
Bank balances and cash	1,256	2,574
	226,486	161,015
Current Liabilities		
Accruals and other payables	4,210	3,876
Amounts due to subsidiaries	146,518	133,588
Lease liabilities	6,512	5,172
Financial guarantee contracts liabilities	9,785	4,699
	167,025	147,335
Net Current Assets	59,461	13,680
	621,196	576,214
Capital and Reserves		
Share capital	57,438	57,438
Reserves	557,705	508,670
Total Equity	615,143	566,108
Non-current liability		
Lease liabilities	6,053	10,106
	621,196	576,214

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

43. 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, 2021	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
Profit for the year	–	–	–	–	106,586	106,586
Other comprehensive expense for the year						
Fair value loss on an equity instrument at FVTOCI	–	–	–	(113)	–	(113)
Total comprehensive (expense) income for the year	–	–	–	(113)	106,586	106,473
Dividends paid	–	–	–	–	(57,438)	(57,438)
As at 31st December, 2022	57,438	323,195	65,891	2,006	166,613	615,143