GOLIK HOLDINGS LIMITED

2018 INTERIM REPORT

Incorporated in Bermuda
with limited liability
Stock Code: 1118

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

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

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6505, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

W. K. To & Co.
Shirley Lau & Co. LLP

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS CONSULTANT

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

WEBSITE

www.golik.com

STOCK CODE

1118

INTERIM RESULTS

The Board of Directors (the "Board") of Golik Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

		Six months ended 30th June,	
	NOTES	**2018**	2017
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**1,627,466**	1,199,166
Cost of sales		**(1,507,506)**	(1,034,850)
Gross profit		**119,960**	164,316
Other income		**6,238**	7,297
Interest income		**891**	1,278
Selling and distribution costs		**(50,729)**	(51,147)
Administrative expenses		**(86,375)**	(86,620)
Other gains and losses	*5*	**(919)**	14,227
Other expenses		**(15,621)**	(12,020)
Finance costs	*6*	**(10,748)**	(7,510)
Share of result of a joint venture		**–**	344
Share of result of an associate		**17**	(3,366)
(Loss) profit before taxation		**(37,286)**	26,799
Income tax expenses	*7*	**(409)**	(8,394)
(Loss) profit for the period	*8*	**(37,695)**	18,405

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Other comprehensive (expense) income:		
Items that may be subsequently reclassified to profit or loss:		
– Exchange difference arising on translation of foreign operations	**(3,949)**	11,611
– Fair value loss on an available-for-sale investment	**–**	(999)
– Fair value gain on a debt instrument at fair value through other comprehensive income ("FVTOCI")	**20**	–
– Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI	**19**	–
Item that will not be reclassified to profit or loss:		
– Fair value gain on an equity instrument at FVTOCI	**1,238**	–
Other comprehensive (expense) income for the period	**(2,672)**	10,612
Total comprehensive (expense) income for the period	**(40,367)**	29,017

	NOTE	Six months ended 30th June, 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
(Loss) profit for the period attributable to:			
Shareholders of the Company		**(39,824)**	12,850
Non-controlling interests		**2,129**	5,555
		(37,695)	18,405
Total comprehensive (expense) income for the period attributable to:			
Shareholders of the Company		**(41,884)**	21,460
Non-controlling interests		**1,517**	7,557
		(40,367)	29,017
(Loss) earnings per share			
Basic and diluted	*10*	**(HK7.09 cents)**	HK2.29 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	**30th June, 2018 HK$'000 (unaudited)**	31st December, 2017 HK$'000 (audited)
Non-current Assets			
Investment properties	11	**3,980**	3,980
Property, plant and equipment	11	**505,068**	503,205
Prepaid lease payments		**13,312**	13,647
Interest in a joint venture		**4,079**	4,079
Amount due from a joint venture		**1,154**	5,068
Interest in an associate		**–**	–
Amount due from an associate		**9,585**	9,568
Available-for-sale investment	13	**–**	4,173
Equity instrument at FVTOCI		**5,411**	–
Insurance policy assets		**12,226**	11,775
Rental and other deposits		**8,794**	10,361
Deposits paid for acquisition of property, plant and equipment		**3,568**	3,876
Loan receivables	12	**4,287**	4,647
Time deposits		**2,372**	2,393
		573,836	576,772
Current Assets			
Inventories		**492,344**	595,609
Trade, loan and other receivables	12	**756,996**	805,635
Prepaid lease payments		**466**	469
Income tax recoverable		**970**	1,261
Available-for-sale investment	13	**–**	5,025
Bank balances and cash		**387,135**	383,167
		1,637,911	1,791,166

	NOTES	30th June, 2018 HK$'000 (unaudited)	31st December, 2017 HK$'000 (audited)
Current Liabilities			
Trade and other payables	14	**174,483**	363,260
Contract liabilities		**11,464**	–
Dividend payable	9	**16,858**	–
Amounts due to non-controlling shareholders		**3,200**	3,200
Income tax payable		**9,159**	9,855
Bank borrowings	15	**919,797**	847,939
Obligations under finance leases		**492**	569
		1,135,453	1,224,823
Net Current Assets		**502,458**	566,343
		1,076,294	1,143,115
Capital and Reserves			
Share capital	17	**56,192**	56,192
Share premium and reserves		**946,205**	1,008,933
Equity attributable to shareholders of the Company		**1,002,397**	1,065,125
Non-controlling interests		**50,894**	52,188
Total Equity		**1,053,291**	1,117,313
Non-current Liabilities			
Deferred tax liabilities		**22,825**	25,375
Obligations under finance leases		**178**	427
		23,003	25,802
		1,076,294	1,143,115

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Attributable to shareholders of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Exchange reserve** *HK$'000*	**PRC statutory reserve** *HK$'000* *(Note a)*	**Asset revaluation reserve** *HK$'000*	**Investment revaluation/ FVTOCI reserve** *HK$'000*	**Other reserve** *HK$'000* *(Note b)*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1st January, 2017 (audited)	56,192	316,466	8,893	24,424	635	3,384	(8,948)	622,470	1,023,516	34,304	1,057,820
Profit for the period	–	–	–	–	–	–	–	12,850	12,850	5,555	18,405
Other comprehensive income (expense) for the period											
Exchange difference arising on translation of foreign operations	–	–	9,609	–	–	–	–	–	9,609	2,002	11,611
Fair value loss on an available-for-sale investment	–	–	–	–	–	(999)	–	–	(999)	–	(999)
Total comprehensive income (expense) for the period	–	–	9,609	–	–	(999)	–	12,850	21,460	7,557	29,017
Acquisition of additional interest in a subsidiary (Note c)	–	–	(879)	–	–	–	(12,238)	14,221	1,104	11,370	12,474
Dividend declared (note 9)	–	–	–	–	–	–	–	(16,858)	(16,858)	–	(16,858)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,497)	(4,497)
Transfer between reserves	–	–	–	32	–	–	–	(32)	–	–	–
At 30th June, 2017 (unaudited)	56,192	316,466	17,623	24,456	635	2,385	(21,186)	632,651	1,029,222	48,734	1,077,956
Profit for the period	–	–	–	–	–	–	–	29,582	29,582	902	30,484
Other comprehensive income (expense) for the period											
Exchange difference arising on translation of foreign operations	–	–	13,909	–	–	–	–	–	13,909	2,615	16,524
Net fair value gain on available-for-sale investments	–	–	–	–	–	1,749	–	–	1,749	–	1,749
Deregistration of a subsidiary	–	–	(908)	–	–	–	–	–	(908)	–	(908)
Total comprehensive income for the period	–	–	13,001	–	–	1,749	–	29,582	44,332	3,517	47,849

	Attributable to shareholders of the Company										
	Share capital *HK$'000*	Share premium *HK$'000*	Exchange reserve *HK$'000*	PRC statutory reserve *HK$'000* *(Note a)*	Asset revaluation reserve *HK$'000*	Investment revaluation/ FVTOCI reserve *HK$'000*	Other reserve *HK$'000* *(Note b)*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Dividend paid	–	–	–	–	–	–	–	(8,429)	(8,429)	–	(8,429)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(63)	(63)
Transfer between reserves	–	–	–	2,212	–	–	–	(2,212)	–	–	–
At 31st December, 2017 (audited)	56,192	316,466	30,624	26,668	635	4,134	(21,186)	651,592	1,065,125	52,188	1,117,313
Adjustment (Note 3)	–	–	–	–	–	–	–	(3,986)	(3,986)	–	(3,986)
At 1st January, 2018 (restated)	56,192	316,466	30,624	26,668	635	4,134	(21,186)	647,606	1,061,139	52,188	1,113,327
(Loss) profit for the period	–	–	–	–	–	–	–	(39,824)	(39,824)	2,129	(37,695)
Other comprehensive (expense) income for the period											
Exchange difference arising on translation of foreign operations	–	–	(3,337)	–	–	–	–	–	(3,337)	(612)	(3,949)
Fair value gain on an equity instrument at FVTOCI	–	–	–	–	–	1,238	–	–	1,238	–	1,238
Fair value gain on a debt instrument of FVTOCI	–	–	–	–	–	20	–	–	20	–	20
Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI	–	–	–	–	–	19	–	–	19	–	19
Total comprehensive (expense) income for the period	–	–	(3,337)	–	–	1,277	–	(39,824)	(41,884)	1,517	(40,367)
Dividend declared (note 9)	–	–	–	–	–	–	–	(16,858)	(16,858)	–	(16,858)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,811)	(2,811)
At 30th June, 2018 (unaudited)	**56,192**	**316,466**	**27,287**	**26,668**	**635**	**5,411**	**(21,186)**	**590,924**	**1,002,397**	**50,894**	**1,053,291**

Notes:

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

(b) Other reserve represented:

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

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(41,614)**	(276,820)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(19,145)**	(48,430)
Deposits paid for acquisition of property, plant and equipment	**(3,002)**	(2,482)
Proceed from redemption of a debt instrument at FVTOCI	**5,044**	–
Repayment from a joint venture	**3,914**	–
Proceeds from disposal of property, plant and equipment	**127**	5,089
Advance to an associate	**–**	(5,250)
Purchase of an available-for-sale investment	**–**	(5,021)
Other investing cash flows	**1,159**	1,230
NET CASH USED IN INVESTING ACTIVITIES	**(11,903)**	(54,864)
FINANCING ACTIVITIES		
Trust receipt loans raised	**938,976**	673,004
Bank loans raised	**175,731**	165,427
Repayment of trust receipt loans	**(887,013)**	(534,283)
Repayment of bank loans	**(154,449)**	(147,917)
Interest paid	**(11,795)**	(8,419)
Dividend paid to non-controlling interests of subsidiaries	**(2,811)**	(4,497)
Repayment of obligations under finance leases	**(326)**	(417)
Acquisition of additional interest in a subsidiary upon the exercise of the Put Option by non-controlling shareholders (note 16)	**–**	(31,050)
Repayment to non-controlling shareholders	**–**	(11,770)
NET CASH FROM FINANCING ACTIVITIES	**58,313**	100,078
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,796**	(231,606)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**383,167**	574,941
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(828)**	3,130
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	**387,135**	346,465

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2017.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

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

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

3.1 Impacts and changes in accounting policies upon application of HKFRS 15 *Revenue from Contracts with Customers*

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

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

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and 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 and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

The Group recognises revenue from the following major sources:

- Sales of metal products
- Sales of building construction materials

All of the Group's revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location and accepted by the customers. A receivable is recognised by the Group when the goods are delivered to the customer's premises and accepted by the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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

3.1.2 Summary of effects arising from initial application of HKFRS 15

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

	Note	Carrying amounts previously reported at 31st December, 2017 *HK$'000*	Reclassification *HK$'000*	Carrying amounts under HKFRS 15 at 1st January, 2018 *HK$'000*
Current liabilities				
Trade and other payables	*(a)*	363,260	(10,228)	353,032
Contract liabilities	*(a)*	–	10,228	10,228

Note:

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

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30th June, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported *HK$'000*	Reclassification *HK$'000*	Amounts without application of HKFRS 15 *HK$'000*
Current liabilities			
Trade and other payables	174,483	11,464	185,947
Contract liabilities	11,464	(11,464)	–

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

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

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

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

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

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

<u>Classification and measurement of financial assets</u>

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Debt instrument classified as at FVTOCI

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

Equity instrument designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investment in an equity instrument at FVTOCI is initially measured at fair value plus transaction costs. Subsequently, it is measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to retained profits.

Dividends on the investment in equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, 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.

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 excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, amount due from a joint venture, amount due from an associate, time deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

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

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;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread and the credit default swap prices for the debtor;
- 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;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on certain bank balances and the debt instrument at FVTOCI has not increased significantly since initial recognition as they are determined to have low credit risk at the reporting date. The Group considers those bank balances and the debt instrument at FVTOCI to have low credit risk as they have internal or external credit ratings of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument 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.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

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

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.

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

As at 1st January, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The results of the assessment and the impact thereof are detailed in Note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

	Notes	Available-for-sale investments *HK$'000*	Equity instrument at FVTOCI *HK$'000*	Debt instrument at FVTOCI *HK$'000*	Amortised cost (previously classified as loans and receivables) *HK$'000*	Retained profits *HK$'000*
Closing balance at 31st December, 2017 – HKAS 39		9,198	–	–	1,149,306	651,592
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale investments	*(a)*	(9,198)	4,173	5,025	–	–
Remeasurement						
Impairment under ECL model	*(b)*	–	–	–	(3,986)	(3,986)
Opening balance at 1st January, 2018		–	4,173	5,025	1,145,320	647,606

Notes:

(a) Available-for-sale investments

From available-for-sale equity investment to FVTOCI

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

From available-for-sale debt investment to FVTOCI

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

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually with significant balances and collectively using a provision matrix.

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

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

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

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

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

Except as described above, the application of amendments to HKFRSs and an interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31st December, 2017 (Audited) *HK$'000*	HKFRS 15 *HK$'000*	HKFRS 9 *HK$'000*	1st January, 2018 (Restated) *HK$'000*
Non-current Assets				
Available-for-sale investment	4,173	–	(4,173)	–
Equity instrument at FVTOCI	–	–	4,173	4,173
Others with no adjustment	572,599	–	–	572,599
Current Assets				
Trade, loan and other receivables	805,635	–	(3,986)	801,649
Available-for-sale investment	5,025	–	(5,025)	–
Debt instrument at FVTOCI	–	–	5,025	5,025
Others with no adjustment	980,506	–	–	980,506
Current Liabilities				
Trade and other payables	363,260	(10,228)	–	353,032
Contract liabilities	–	10,228	–	10,228
Others with no adjustment	861,563	–	–	861,563
Net Current Asset	566,343	–	(3,986)	562,357
Total Asset less Current Liabilities	1,143,115	–	(3,986)	1,139,129
Total Equity				
Retained profits	651,592	–	(3,986)	647,606
Others with no adjustment	465,721	–	–	465,721
Non-current Liabilities	25,802	–	–	25,802

4. REVENUE AND SEGMENT INFORMATION

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

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

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

1. Metal products
2. Building construction materials

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

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

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

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

For the six months ended 30th June, 2017 (unaudited)

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	437,746	741,468	1,179,214	19,952	–	1,199,166
Inter-segment sales	2,676	39	2,715	–	(2,715)	–
Total	440,422	741,507	1,181,929	19,952	(2,715)	1,199,166
SEGMENT RESULT	39,196	10,010	49,206	(2,603)	141	46,744
Unallocated other income						1,427
Unallocated corporate expenses						(10,840)
Finance costs						(7,510)
Share of result of a joint venture						344
Share of result of an associate						(3,366)
Profit before taxation						26,799

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

Revenue from major products

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

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Metal products	**546,556**	437,746
Building construction materials		
– Concrete products	**160,495**	254,806
– Construction steel and other construction products	**904,802**	486,662
Others	**15,613**	19,952
	1,627,466	1,199,166

Geographical information

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

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**1,035,283**	758,103
PRC other than Hong Kong and Macau	**536,446**	403,263
Macau	**33,598**	19,508
Others	**22,139**	18,292
	1,627,466	1,199,166

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

5. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Reclassification to profit or loss upon redemption of a debt instrument at FVTOCI (note 18)	**(19)**	–
Gain on disposal of property, plant and equipment	**23**	4,729
Net exchange (loss) gain	**(1,699)**	1,570
Reversal of allowance for bad and doubtful debts, net	**776**	7,928
	(919)	14,227

6. FINANCE COSTS

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings	**11,526**	8,240
Finance leases	**18**	35
	11,544	8,275
Less: amounts capitalised in the cost of qualifying assets	**(796)**	(765)
	10,748	7,510

7. INCOME TAX EXPENSES

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
The charge comprises:		
Current period		
Hong Kong Profits Tax	**3,256**	6,355
PRC Enterprise Income Tax	**3,093**	3,496
Withholding tax paid for distributed profits in the PRC	**338**	–
	6,687	9,851
Overprovision in prior years		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**(3,728)**	(1,597)
	(3,728)	(1,597)
Deferred tax	**(2,550)**	140
	409	8,394

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In addition, a PRC subsidiary of the Company was qualified as "High-tech Enterprise" in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2016. Another PRC subsidiary was qualified as "Small Low-profit Enterprise" in Guangdong and subject to an Enterprise Income Tax Rate of 10%, which was granted for three years starting from 2017.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 30th June, 2018 and 2017, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

On 21st March, 2018, the Hong Kong Legislative Council passes the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime are applicable to the Company for its annual reporting periods beginning on or after 1st January, 2018.

The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**234**	225
Depreciation of property, plant and equipment	**20,157**	18,469
Reversal of write-down of inventories (included in cost of sales)	**(19)**	(11,071)

9. DIVIDEND

During the current period, a final dividend of HK3.0 cents per share in respect of the year ended 31st December, 2017 (six months ended 30th June, 2017: HK3.0 cents per share in respect of the year ended 31st December, 2016) was declared. The aggregate amount of the final dividend payable in the current period amounted to HK$16,858,000 (six months ended 30th June, 2017: HK$16,858,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK1.0 cent per share (six months ended 30th June, 2017: HK1.5 cents per share) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 4th October, 2018.

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to the shareholders of the Company of HK$39,824,000 (six months ended 30th June, 2017: profit for the period attributable to the shareholders of the Company of HK$12,850,000) and 561,922,500 (six months ended 30th June, 2017: 561,922,500) ordinary shares in issue during the period.

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

11. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

The fair value of the Group's investment properties as at 30th June, 2018 has been arrived at on the basis of a valuation carried out on 31st December, 2017 by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. In the opinion of the directors, there is no significant change in the fair value of the investment properties between 31st December, 2017 and 30th June, 2018.

During the current period, the Group acquired property, plant and equipment of HK$23,658,000 (six months ended 30th June, 2017: HK$59,743,000) in order to expand its manufacturing capabilities.

During the current period, the Group disposed of property, plant and equipment with aggregate carrying amount of HK$104,000 (six months ended 30th June, 2017: HK$360,000).

12. TRADE, LOAN AND OTHER RECEIVABLES

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Trade and bills receivables, net	**679,963**	737,412
Prepayments, deposits and other receivables	**76,298**	67,530
Loan receivables	**5,022**	5,340
	761,283	810,282
Analysed for reporting purpose as:		
Current assets	**756,996**	805,635
Non-current assets – Loan receivables	**4,287**	4,647
	761,283	810,282

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

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

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
0 – 30 days	**283,754**	335,078
31 – 60 days	**225,443**	225,202
61 – 90 days	**100,180**	92,620
91 – 120 days	**35,165**	42,867
More than 120 days	**35,421**	41,645
	679,963	737,412

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

13. AVAILABLE-FOR-SALE INVESTMENT

As at 31st December, 2017, available-for-sale investments include a certificate of deposit with fixed interest of 1.40% per annum of which the market price is quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority and an investment in equity securities listed in Germany of which the fair value is determined by reference to the bid prices quoted in an active market.

Upon the adoption of HKFRS 9 with effect from 1st January, 2018, the certificate of deposit was reclassified to debt instrument at FVTOCI and the Group has made an irrevocable election to designate the investment in equity securities listed in Germany as equity instrument at FVTOCI. The certificate of deposit was redeemed during the period.

14. TRADE AND OTHER PAYABLES

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Trade payables	**98,233**	237,808
Accruals, deposits received and other payables	**76,250**	125,452
	174,483	363,260

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

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
0 – 30 days	**64,358**	181,861
31 – 60 days	**23,240**	38,886
61 – 90 days	**5,223**	8,905
91 – 120 days	**2,812**	5,608
More than 120 days	**2,600**	2,548
	98,233	237,808

15. BANK BORROWINGS

During the current period, the Group raised bank loans and trust receipt loans of HK$175,731,000 and HK$938,976,000 (six months ended 30th June, 2017: HK$165,427,000 and HK$673,004,000) respectively, and repaid bank loans and trust receipt loans of HK$154,449,000 and HK$887,013,000 (six months ended 30th June, 2017: HK$147,917,000 and HK$534,283,000) respectively. All new bank borrowings raised during the current period are unsecured and with corporate guarantee from group companies. The bank borrowings at the end of the reporting period bear interest at market rates with effective borrowing rates ranging from 1.72% to 5.75% (year ended 31st December, 2017: 1.29% to 6.50%) per annum.

16. OBLIGATION ARISING FROM A PUT OPTION TO NON-CONTROLLING SHAREHOLDERS/ DERIVATIVE FINANCIAL INSTRUMENTS

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

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

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2017, 30th June, 2017, 31st December 2017 and 30th June, 2018	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2017, 30th June, 2017, 31st December 2017 and 30th June, 2018	561,922,500	56,192

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	30th June, 2018	31st December, 2017		
Equity instrument at FVTOCI	**HK$5,411,000**	N/A	Level 1	Quoted bid prices in an active market
Available-for-sale investment – certificate of deposit	**N/A**	HK$5,025,000	Level 2	Adjusted market price quoted on the Central Moneymarkets Unit of the Hong Kong Monetary Authority
Available-for-sale investment – listed equity securities	**N/A**	HK$4,173,000	Level 1	Quoted bid prices in an active market

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

19. CAPITAL COMMITMENTS

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**3,782**	3,285

20. PLEDGE OF ASSETS

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

	30th June, 2018	31st December, 2017
	HK$'000	*HK$'000*
Construction in progress	**81,084**	81,084

21. RELATED PARTY DISCLOSURES

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

	Interest income		**Sub-licence fee**	
	Six months ended 30th June,		**Six months ended 30th June,**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
An associate	**209**	209	**5,400**	–

The gross amount due from an associate of HK$14,000,000, which is unsecured, carries interest at 2% below the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum and is repayable after ten years from the first drawdown date, the gross amount due from an associate of HK$5,250,000, which is unsecured, interest-free and is repayable after four years from the drawdown date, and the amount due from a joint venture of HK$1,154,000, which is unsecured, interest-free and is not expected to be repaid within the next twelve months from the end of the reporting period, are disclosed in the condensed consolidated statement of financial position.

Compensation of key management personnel

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

	Six months ended 30th June,	
	2018	2017
	HK$'000	*HK$'000*
Short-term employee benefits	**10,238**	9,968
Post-employment benefits	**243**	228
	10,481	10,196

BUSINESS REVIEW

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

For the six months ended 30th June, 2018, the Group's total revenue was HK$1,627,466,000, representing an increase of 36% against the same period last year. The increase of revenue was mainly attributable to the price hikes of steel during the period, which spurred the rise in both unit selling price and sales quantity of steel products.

After deduction of profit attributable to non-controlling interests, loss attributable to shareholders of the Company amounted to HK$39,824,000. The loss was mainly a result of the unwonted pressure and challenges encountered by the building construction materials business in Hong Kong during the period, in turn giving rise to the disappointing results. Moreover, the high-end steel wire rope project in Tianjin and the automated cut-and-bend rebars processing project in Hong Kong have yet to generate benefits and their various preliminary development costs ratcheted up pressure on results performance.

The Board has decided to maintain dividend payment and declared an interim dividend of HK1.0 cent per share.

Metal Products

Metal products line of business comprises mainly of steel coil processing and manufacturing and sales of steel wires and steel wire rope products in the Mainland. Revenue for the period was HK$548,748,000, representing an increase of 25% over the same period last year. Profit before interest and taxation was HK$19,429,000, representing a decrease of 50% over the same period last year.

Our metal products business remained stable in the period, with both production and sales volume of steel wire rope products hitting an all-time high as compared with the corresponding periods of previous years. Nonetheless, the surging costs of raw materials and environmental costs during the period could not be promptly passed onto customers and therefore dragged profit margin down. This was further compounded by the high-end lifting wire rope project which was still at the development stage and its development expenses weighed on profitability of the metal products operation to some extent during the period.

Our elevator wire rope products have maintained a leading position in the industry. The relentless efforts put into developing high-end products have yielded some success, with certain product technologies achieving breakthroughs and already reaching globally advanced levels. Elevator wire rope products are expected to post another record-breaking sales figure for the year given their promising outlook.

Building Construction Materials

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

Revenue for the period was HK$1,065,300,000, representing an increase of 44% over the same period last year. The increase of revenue was mainly attributable to the uptick in both prices and business volume of construction steel products during the period. Loss before interest and taxation amounted to HK$33,132,000.

Our building construction materials business recorded a loss for the first time in years, mainly due to the fact that the construction sector in Hong Kong had headed into another recession since the second half of last year. Over the past few years, the lengthy debates in the Legislative Council kept putting off funding approval for various public works in Hong Kong, sending the number of construction projects that had obtained funding way lower than expected. The significant decrease in construction works led to manpower loss and fierce competition in the construction sector, especially in early 2018 when the ready mixed concrete business was confronted with cutthroat competition from industry players, coupled with the prolonged price hikes of steel that caused our steel distribution department to procure at higher-than-expected costs in order to fulfill its supply contracts with customers, thereby incurring losses and resulting in the lacklustre performance of the building construction materials business during the period.

On the bright side, the automated cut-and-bend rebars processing project that we heavily promoted and developed in Hong Kong for years has received some good news. Echoing Chief Executive's appeal in the year's policy address to support and develop automated cut-and-bend rebars processing, the Financial Secretary also proposed earmarking HK$1 billion for establishing a "Construction Innovation and Technology Fund" in his yearly budget in an effort to promote productivity, sustainability and safety within the construction industry. Automated cut-and-bend rebars processing is listed among the projects eligible for a certain amount of incentive funding. Likewise, the Development Bureau has made it clear that a large majority of public works will only opt for products from automated cut-and-bend rebars processing plants for the sake of reducing work-related injuries at construction sites and mitigating environmental impact. In recent years, the Group devoted substantial resources to establishing its two automated cut-and-bend rebars processing plants, which have yet to generate benefits and thus put some strain on our results performance. However, the management is confident that the use of construction rebar products from automated processing plants will be widely promoted and our business will be benefited accordingly.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2018, the total bank balances and cash of the Group amounted to HK$387,135,000 (31st December, 2017: HK$383,167,000). As at 30th June, 2018, the current ratio (current assets to current liabilities) of the Group was 1.44:1 (31st December, 2017: 1.46:1).

As at 30th June, 2018, the total borrowings of the Group amounted to HK$920,467,000 (31st December, 2017: HK$848,935,000).

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

CAPITAL STRUCTURE

During the period, there was no material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 30th June, 2018 was 561,922,500 (31st December, 2017: 561,922,500). As at 30th June, 2018, the equity attributable to the shareholders of the Company amounted to HK$1,002,397,000 (31st December, 2017: HK$1,065,125,000).

As at 30th June, 2018, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.51:1 (31st December, 2017: 0.42:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2018, the total number of staff of the Group was 1,487. 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

Many challenges facing the Group in the first half of the year will still linger in the second half, in particular the building construction materials business which will remain under immense pressure. Nonetheless, we expect to see things turn around next year following the passing of motions to streamline meeting procedures by the Finance Committee of the Legislative Council in March this year, a move which has expedited funding approval for public works and will conceivably revive the construction sector of Hong Kong next year, in turn benefiting our building construction materials business. The Group therefore stays bullish on the prospects of its building construction materials operation.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

(1) Long position

Shares of the Company

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

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

Share options

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

(2) Shares in subsidiaries

As at 30th June, 2018, Mr. Pang Tak Chung had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 30th June, 2018, none of the directors and chief executive of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the period, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDER

As at 30th June, 2018, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

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

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 30th June, 2018, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Group is committed to the maintenance of good corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Listing Rules. The Company has complied with code provisions as set out in the CG Code throughout the six months ended 30th June, 2018 except the followings:

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

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

Code provision A.5.6, the Company does not have a policy concerning diversity of board members for the time being. In designing the Board's composition, the Company will consider from all aspects, all directors' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' information since the date of 2017 Annual Report of the Company are set out below:

With effect from 1st March, 2018,

1. the monthly salary of Mr. Pang Tak Chung, Chairman of the Company, has been increased by HK$15,000.

2. the monthly salary of Mr. Ho Wai Yu, Sammy, Vice Chairman of the Company, has been increased by HK$15,000.

3. the monthly salary of Ms. Pang Wan Ping, Executive Director of the Company, has been increased by HK$5,000.

4. the monthly salary of Mr. Lau Ngai Fai, Executive Director of the Company, has been increased by HK$10,000.

AUDIT COMMITTEE

The Company established its Audit Committee on 5th January, 1999 with written terms of reference which are in line with the CG Code. The Audit Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2018. The financial information contained in this interim report is unaudited, the disclosure of which has complied with Appendix 16 to the Listing Rules.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 21st April, 2005 with written terms of reference which are in line with the CG Code. The Remuneration Committee comprises three Independent Non-executive Directors namely Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards as set out in the Model Code. Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company during the six months ended 30th June, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2018.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank each employee and management staff member of the Group for their past efforts and contributions. I would also like to thank all our shareholders, customers, banks and business associates who have supported the Group along the way. With your concerted efforts, the Group endeavours to deliver good results in the second half of the year.

By Order of the Board
Pang Tak Chung
Chairman

Hong Kong, 29th August, 2018