

The logo for Golik Holdings Limited is presented in a stylized, modern font. The letters 'G', 'O', 'L', and 'I' are significantly larger than 'I', 'M', 'I', 'T', 'E', 'D'. The letters 'G', 'O', 'L', and 'I' are dark blue, while 'I', 'M', 'I', 'T', 'E', 'D' are a lighter blue. The text is set against a light blue background with a grid of thin, light blue lines. The letters are partially filled with a white-to-blue gradient, giving them a three-dimensional appearance.

GOLIK HOLDINGS LIMITED

INTERIM  
REPORT  
2005

## CORPORATE INFORMATION

### Executive Directors

Mr. Pang Tak Chung (*Chairman*)  
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)  
Mr. John Cyril Fletcher

### Non-Executive Director

Mr. Robert Keith Davies

### Independent Non-Executive Directors

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

### Qualified Accountant

Mr. Ho Wai Yu, Sammy  
*FCCA CPA MBIM*

### Company Secretary

Mr. Ho Wai Yu, Sammy  
*FCCA CPA MBIM*

### Registered Office

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### Head Office and

#### Principal Place of Business

Suite 5608, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong  
[www.golik.com.hk](http://www.golik.com.hk)

### Auditors

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
26th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

### Principal Bankers

China Construction Bank,  
Hong Kong Branch  
CITIC Ka Wah Bank Limited  
DBS Bank (Hong Kong) Limited  
HSH Nordbank AG, Hong Kong Branch  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
Standard Chartered Bank

### Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited  
Ground Floor  
BEA Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

### Investor and Media Relations

JOVIAN Communications Group Limited  
Room 905-906, Harbour Centre  
25 Harbour Road  
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## INTERIM RESULTS

The Board of Directors 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, 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

		<b>Six months ended 30th June,</b>	
		<b>2005</b>	2004
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	4	<b>1,201,516</b>	1,274,476
Cost of sales		<b>(1,048,811)</b>	(1,154,651)
Gross profit		<b>152,705</b>	119,825
Other operating income		<b>17,871</b>	23,298
Interest income		<b>741</b>	1,333
Selling and distribution costs		<b>(37,133)</b>	(39,347)
Administrative expenses		<b>(69,721)</b>	(64,094)
Amortisation of goodwill		—	(2,131)
Release of negative goodwill		—	362
Impairment loss on goodwill		<b>(4,200)</b>	—
Finance costs	5	<b>(14,677)</b>	(12,638)
Gain on disposal of subsidiaries		<b>3,299</b>	368
Share of results of jointly controlled entities		<b>(85)</b>	12
Share of results of associates		<b>244</b>	—
Profit before taxation	6	<b>49,044</b>	26,988
Income taxes	7	<b>(4,903)</b>	(4,926)
Profit for the period		<b>44,141</b>	22,062
Attributable to:			
Equity holders of the parent		<b>25,064</b>	4,069
Minority interests		<b>19,077</b>	17,993
		<b>44,141</b>	22,062
Dividend paid of nil (2004: 1.5 HK cents) per share	8	—	8,510
Earnings per share	9		
Basic		<b>4.42 cents</b>	0.72 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2005

		30th June, 2005	31st December, 2004 (restated and audited)
	Notes	(unaudited) HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Goodwill		19,478	23,678
Negative goodwill		—	(18,276)
Investment properties	10	27,370	38,630
Property, plant and equipment	10	295,949	320,025
Prepaid lease payments	10	35,132	40,366
Interests in jointly controlled entities		1,214	1,299
Interests in associates	11	4,278	—
Amount due from a jointly controlled entity		—	1,500
Long-term receivables		635	804
Rental deposits and other assets		2,017	3,778
		<b>386,073</b>	<b>411,804</b>
<b>Current Assets</b>			
Inventories		366,965	304,388
Trade and other receivables	12	464,559	489,239
Amounts due from jointly controlled entities		6,979	5,322
Amount due from an associate		1,767	—
Prepaid lease payments	10	840	915
Tax recoverable		25	179
Forward contracts financial assets		480	—
Pledged bank deposits	16	62,609	16,980
Bank balances and cash		96,306	92,673
		<b>1,000,530</b>	<b>909,696</b>
<b>Current Liabilities</b>			
Trade and other payables	13	223,383	184,325
Amounts due to minority shareholders		3,094	7,580
Tax payable		9,223	6,988
Interest-bearing bank borrowings	14	593,075	568,506
Obligations under finance leases		5,178	5,553
		<b>833,953</b>	<b>772,952</b>
<b>Net Current Assets</b>		<b>166,577</b>	<b>136,744</b>
		<b>552,650</b>	<b>548,548</b>

## CONDENSED CONSOLIDATED BALANCE SHEET *(continued)*

AT 30TH JUNE, 2005

		30th June, 2005  (unaudited) HK\$'000	31st December, 2004  (restated and audited) HK\$'000
	Notes		
<b>Capital and Reserves</b>			
Share capital	15	56,736	56,736
Share premium and reserves		358,923	319,960
Equity attributable to equity holders of the parent		415,659	376,696
Minority interests		103,650	107,024
<b>Total Equity</b>		<b>519,309</b>	483,720
<b>Non-current Liabilities</b>			
Deferred tax liabilities		11,640	11,666
Interest-bearing bank borrowings	14	15,557	48,235
Obligations under finance leases		6,144	4,927
		33,341	64,828
		552,650	548,548

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Attributable to equity holders of the parent									
	Share capital	Share premium	Property			Exchange reserve	Accumulated		Minority interests	Total
			Share revaluation reserve	Goodwill reserve	Revenue reserve		profits (losses)	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004	56,736	318,118	19,367	(170,294)	(229)	—	200,997	424,695	104,769	529,464
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity	—	—	—	—	846	—	—	846	367	1,213
Profit for the period	—	—	—	—	—	—	4,069	4,069	17,993	22,062
Total recognised profit for the period	—	—	—	—	846	—	4,069	4,915	18,360	23,275
Dividend paid	—	—	—	—	—	—	(8,510)	(8,510)	—	(8,510)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(11,500)	(11,500)
Capital contributions from minority shareholders	—	—	—	—	—	—	—	—	2,600	2,600
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(10,729)	(10,729)
At 30th June, 2004	56,736	318,118	19,367	(170,294)	617	—	196,556	421,100	103,500	524,600
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong	—	—	—	—	(210)	—	—	(210)	(186)	(396)
Revaluation surplus on properties	—	—	23,902	—	—	—	—	23,902	—	23,902
Deferred tax liabilities arising on revaluation of properties	—	—	(4,336)	—	—	—	—	(4,336)	—	(4,336)
Profit (loss) recognised directly in equity	—	—	19,566	—	(210)	—	—	19,356	(186)	19,170
Realised to income statement on disposal of interests in subsidiaries	—	—	—	1,279	(257)	—	—	1,022	—	1,022
(Loss) profit for the period	—	—	—	—	—	—	(64,782)	(64,782)	12,395	(52,387)
Total recognised profit (loss) for the period	—	—	—	1,279	(257)	—	(64,782)	(63,760)	12,395	(51,365)
Acquisition of further interests in subsidiaries	—	—	—	—	—	—	—	—	(8,685)	(8,685)
At 31st December, 2004 (restated)	56,736	318,118	38,933	(169,015)	150	—	131,774	376,696	107,024	483,720

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Attributable to equity holders of the parent									
	Share capital	Share premium	Property			Accumulated		Total	Minority interests	Total
			revaluation reserve	Goodwill reserve	Exchange reserve	Revenue reserve	profits (losses)			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2005	56,736	318,118	38,933	[169,015]	150	—	131,774	376,696	107,024	483,720
Effects of changes in accounting policies (note 3)	—	—	—	169,015	—	—	(154,501)	14,514	(380)	14,134
As restated	56,736	318,118	38,933	—	150	—	(22,727)	391,210	106,644	497,854
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity	—	—	(34)	—	(551)	—	—	(585)	(224)	(809)
Realised on disposal of property	—	—	(19,367)	—	—	—	19,367	—	—	—
Realised to income statement on disposal of a subsidiary	—	—	—	—	(30)	—	—	(30)	—	(30)
Profit for the period	—	—	—	—	—	—	25,064	25,064	19,077	44,141
Total recognised (loss) profit for the period	—	—	(19,401)	—	(581)	—	44,431	24,449	18,853	43,302
Accumulated profits transferred to revenue reserve	—	—	—	—	—	2,428	(2,428)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(16,426)	(16,426)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(5,421)	(5,421)
<b>At 30th June, 2005</b>	<b>56,736</b>	<b>318,118</b>	<b>19,532</b>	<b>—</b>	<b>(431)</b>	<b>2,428</b>	<b>19,276</b>	<b>415,659</b>	<b>103,650</b>	<b>519,309</b>

Revenue reserve is reserve required by the relevant laws in the People's Republic of China (the "PRC") applicable to a Group's subsidiary in the PRC.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

	Notes	Six months ended 30th June,	
		2005 (unaudited) HK\$'000	2004 (unaudited) HK\$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES		<b>62,234</b>	(100,756)
INVESTING ACTIVITIES			
Increase in pledged bank deposits		<b>(45,721)</b>	(96,810)
Purchase of property, plant and equipment		<b>(5,937)</b>	(10,296)
Capital contributed to associates		<b>(5,448)</b>	—
Proceeds of disposal of property, plant and equipment and prepaid lease payments		<b>18,541</b>	360
Proceeds on disposal of investment properties		<b>11,458</b>	—
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	18	<b>2,162</b>	(3,243)
Others		<b>1,032</b>	1,708
NET CASH USED IN INVESTING ACTIVITIES		<b>(23,913)</b>	(108,281)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<b>(30,339)</b>	172,748
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<b>7,982</b>	(36,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<b>86,055</b>	116,493
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<b>(204)</b>	203
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		<b>93,833</b>	80,407
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<b>96,306</b>	90,996
Bank overdrafts		<b>(2,473)</b>	(10,589)
		<b>93,833</b>	80,407



# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2005

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has results in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

### **Business combinations**

In the current period, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

## **Business combinations** *(continued)*

### **Goodwill**

In previous periods, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves has been transferred to the Group's accumulated profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

### **Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")**

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at 1st January, 2005 with a corresponding increase to accumulated profits.

### **Owner-occupied leasehold interest in land**

At 31st December, 2004, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. The corresponding revaluation increase previously credited to property revaluation reserve was reversed. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

## **Investment properties**

In the current period, the Group has, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In previous periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards.

## **Financial instruments**

In the current period, the Group has applied HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the financial statements of the Group. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

### ***Classification and measurement of financial assets and financial liabilities***

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

### ***Financial assets and financial liabilities other than debt and equity securities***

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. No adjustment has been made as at 1st January, 2005.

## Financial instruments *(continued)*

### **Financial assets and financial liabilities other than debt and equity securities** *(continued)*

Forward contracts financial instruments being derivatives within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Prior to 1st January, 2005, forward contracts financial instruments are not recognised in the financial statements. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise. An adjustment to the forward contracts financial liabilities on 1st January, 2005 has been made to the Group's accumulated profits.

### 3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Decrease in amortisation of goodwill	1,540	—
Decrease in release of negative goodwill	(701)	—
Gains arising from changes in fair value of forward contracts financial instruments	4,622	—
	<hr/>	<hr/>
Increase in profit for the period	<b>5,461</b>	—

Analysis of increase in profit for the period by line items presented according to their function:

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Increase in other operating income	4,622	—
Decrease in amortisation of goodwill	1,540	—
Decrease in release of negative goodwill	(701)	—
	<hr/>	<hr/>
Increase in profit for the period	<b>5,461</b>	—

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at 31st	Retrospective	As at 31st	Adjustments on		As at 1st
	December, 2004	adjustments	December, 2004	1st January, 2005		January, 2005
	(originally stated)	HKAS 17	(restated)	HKAS 32	HKFRS 3	(restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance sheet items</b>						
Goodwill	23,678	–	23,678	–	–	23,678
Negative goodwill	(18,276)	–	(18,276)	–	18,276	–
Property, plant and equipment	398,178	(78,153)	320,025	–	–	320,025
Prepaid lease payments	–	41,281	41,281	–	–	41,281
Forward contracts financial liabilities	–	–	–	(4,142)	–	(4,142)
Deferred tax liabilities	(13,596)	1,930	(11,666)	–	–	(11,666)
	<u>389,984</u>	<u>(34,942)</u>	<u>355,042</u>	<u>(4,142)</u>	<u>18,276</u>	<u>369,176</u>
Total effects on assets and liabilities						
Accumulated profits (losses)	140,216	(8,442)	131,774	(3,762)	(150,739)	(22,727)
Property revaluation reserve	65,433	(26,500)	38,933	–	–	38,933
Goodwill reserve	(169,015)	–	(169,015)	–	169,015	–
Minority interests	–	107,024	107,024	(380)	–	106,644
	<u>36,634</u>	<u>72,082</u>	<u>108,716</u>	<u>(4,142)</u>	<u>18,276</u>	<u>122,850</u>
Total effects on equity						
Minority interests	107,024	(107,024)	–	–	–	–
	<u>107,024</u>	<u>(107,024)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

#### 4. SEGMENT INFORMATION

The turnover and contributions to profit of the Group for the six months ended 30th June, 2005, analysed by business segments are as follows:

The enterprise's primary format for reporting segment information is business segment.

For the six months ended 30th June, 2005

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER							
External sales	628,069	34,386	136,201	315,580	87,280	–	1,201,516
Inter-segment sales	1,122	118,806	1,540	38,998	–	(160,466)	–
Total	<u>629,191</u>	<u>153,192</u>	<u>137,741</u>	<u>354,578</u>	<u>87,280</u>	<u>(160,466)</u>	<u>1,201,516</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.							
SEGMENT RESULT	<u>63,497</u>	<u>4,481</u>	<u>(5,133)</u>	<u>4,734</u>	<u>1,870</u>	<u>91</u>	<u>69,540</u>
Unallocated other operating income							4,914
Unallocated corporate expenses							(9,991)
Impairment loss on goodwill	–	–	(400)	–	(3,800)	–	(4,200)
Finance costs							(14,677)
Gain on disposal of a subsidiary	3,299	–	–	–	–	–	3,299
Share of results of jointly controlled entities	–	–	–	–	(85)	–	(85)
Share of results of associates	244	–	–	–	–	–	244
Profit before taxation							49,044
Income taxes							(4,903)
Profit for the period							<u>44,141</u>

For the six months ended 30th June, 2004

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER							
External sales	680,794	25,338	131,659	353,177	83,508	—	1,274,476
Inter-segment sales	1,302	199,382	1,089	62,778	—	(264,551)	—
Total	<u>682,096</u>	<u>224,720</u>	<u>132,748</u>	<u>415,955</u>	<u>83,508</u>	<u>(264,551)</u>	<u>1,274,476</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.							
SEGMENT RESULT	<u>61,189</u>	<u>1,213</u>	<u>(8,306)</u>	<u>(11,564)</u>	<u>5,380</u>	<u>(2,468)</u>	45,444
Unallocated other operating income							6,091
Unallocated corporate expenses							(10,520)
Amortisation of goodwill	—	—	—	—	(2,131)	—	(2,131)
Release of negative goodwill	—	—	362	—	—	—	362
Finance costs							(12,638)
Gain on disposal of subsidiaries	368	—	—	—	—	—	368
Share of results of jointly controlled entities	—	—	—	—	12	—	12
Profit before taxation							26,988
Income taxes							(4,926)
Profit for the period							<u>22,062</u>

## 5. FINANCE COSTS

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>14,400</b>	12,118
Bank borrowings not wholly repayable within five years	—	273
Finance leases	<b>277</b>	247
	<u><b>14,677</b></u>	<u>12,638</u>

## 6. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2005	2004
		(restated)
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	458	493
Depreciation	18,022	18,389
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(228)	92
Gain on disposal of investment properties	(198)	—
Gain arising from forward contracts financial instruments	(5,866)	—
Rental income	(1,245)	(1,527)
	<b>4,916</b>	<b>2,896</b>

## 7. INCOME TAXES

	Six months ended 30th June,	
	2005	2004
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	2,174	1,514
Other jurisdictions	2,742	1,382
	<b>4,916</b>	<b>2,896</b>
Deferred tax	(13)	2,030
	<b>4,903</b>	<b>4,926</b>

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2005.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. DIVIDEND

On 27th May, 2004, a dividend of 1.5 HK cents per share, amounting to HK\$8,510,000, was paid to shareholders as the final dividend for the year ended 31st December, 2003.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2005.



## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the equity holders of parent of HK\$25,064,000 (2004: HK\$4,069,000) and 567,362,500 (2004: 567,362,500) shares in issue during the period.

## 10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

In the opinion of the directors, there is no material difference between the carrying amount and the fair value of land and buildings and investment properties at 30th June, 2005. During the period, the Group disposed of investment properties with a carrying amount of approximately HK\$11 million.

During the period, the Group spent approximately HK\$10 million on the acquisition of assets in order to facilitate its manufacturing capabilities of which approximately HK\$4 million is acquired through inception of finance leases. In addition, the Group disposed of property, plant and equipment and prepaid lease payments with a carrying amount of approximately HK\$16 million and HK\$5 million respectively of which approximately HK\$2 million is arising upon the disposal of a subsidiary.

## 11. INTERESTS IN ASSOCIATES

30th June, 2005

HK\$'000

Share of net assets	5,692
Less: Unrealised gain on disposal of a subsidiary ( <i>note 18</i> )	(1,414)
	<u>4,278</u>

Particulars of the associates are as follows:

Name	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued capital/ registered capital held by the Group	Nature of business
China Rope Holdings Limited	Incorporated	Hong Kong	30%	Investment holding
Bridon Tianjin Rope Ltd. (formerly known as Tianjin Golik – No. 1 Steel Wire Rope Co., Ltd.)	Equity joint venture	PRC	22.65%	Manufacturing and sale of steel wire rope for elevators

On 21st January, 2005, the Group entered into the subscription and shareholders' agreement ("Subscription and Shareholders' Agreement") with Bridon Hong Kong Limited and China Rope Holdings Limited ("China Rope") in relation to the subscription of 5,448,856 shares which represents 30% interest in China Rope.

As at the same date, the Group entered into an agreement with China Rope in relation to the transfer of its 51% equity interest in Bridon Tianjin Rope Ltd. ("Bridon Tianjin") to China Rope. Upon the completion of the transactions, the Group will be effectively interested in 22.65% of the equity interest of Bridon Tianjin.

## 12. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 0 to 180 days to its customers.

Included in trade and other receivables are trade receivables with an aged analysis as follows:

	<b>30th June, 2005</b>	31st December, 2004
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>149,007</b>	165,479
31 – 60 days	<b>104,241</b>	116,324
61 – 90 days	<b>76,431</b>	60,336
91 – 120 days	<b>26,194</b>	21,772
More than 120 days	<b>27,067</b>	38,406
	<b>382,940</b>	402,317

## 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	<b>30th June, 2005</b>	31st December, 2004
	<b>HK\$'000</b>	HK\$'000
0 – 30 days	<b>123,469</b>	72,268
31 – 60 days	<b>14,500</b>	12,921
61 – 90 days	<b>15,843</b>	4,509
91 – 120 days	<b>4,610</b>	1,274
More than 120 days	<b>8,364</b>	16,113
	<b>166,786</b>	107,085

#### 14. INTEREST-BEARING BANK BORROWINGS

During the period, the Group obtained new bank loans of HK\$108 million and repaid bank loans of HK\$106 million. In addition, bank loans of HK\$9 million were eliminated upon the disposal of a subsidiary.

#### 15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2004 and 30th June, 2005	1,800,000,000	180,000
Issued and fully paid:		
At 31st December, 2004 and 30th June, 2005	567,362,500	56,736

#### 16. PLEDGE OF ASSETS

At 30th June, 2005, the Group has pledged the following assets to financial institutions as securities against credit facilities granted to the Group:

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000 (restated)
Investment properties	24,300	35,560
Land and buildings	14,965	33,176
Plant and machinery and equipment	15,419	18,565
Prepaid lease payments	29,234	29,422
Bank deposits	62,609	16,980
	<b>146,527</b>	<b>133,703</b>

#### 17. CAPITAL COMMITMENTS

	30th June, 2005 HK\$'000	31st December, 2004 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	1,079	—

## 18. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its entire 51% equity interest in Bridon Tianjin to an associate held as to 30% by the Group.

### NET ASSETS DISPOSED OF

	Six months ended 30th June, 2005 HK\$'000
Property, plant and equipment	2,411
Inventories	12,590
Trade and other receivables	13,359
Bank balances and cash	8,192
Trade and other payables	(14,501)
Amount due to a minority shareholder	(1,527)
Interest-bearing bank borrowings	(9,432)
	<u>11,092</u>
Minority interests released	(5,421)
Exchange reserve realised	(30)
Gain on disposal	4,713
	<u>10,354</u>
Total consideration	
Net cash inflow arising on disposal:	
Consideration received	10,354
Bank balances and cash disposed of	(8,192)
	<u>2,162</u>
Net inflow of cash and cash equivalents in respect of disposal of a subsidiary	<u>2,162</u>
Gain on disposal of subsidiaries	4,713
Less: 30% deferred and offset against interests in associates (Note 11)	(1,414)
	<u>3,299</u>
Gain recognised in income statement	

The subsidiaries disposed of during the period contributed approximately HK\$21 million to the Group's turnover and approximately HK\$1 million to the Group's profit before taxation.

## 19. CONTINGENT LIABILITIES

Pursuant to the "Subscription and Shareholders' Agreement" entered on 21st January, 2005 in respect of formation of an associate and the agreement in relation to the transfer of its 51% equity interest in Bridon Tianjin to the associate, the Group has provided corporate guarantees to the extent of HK\$5,000,000 to a bank to secure the banking facilities granted to the associate.

## BUSINESS REVIEW

The Group has delivered a satisfactory result for the first half of the 2005 financial year, benefiting from the excellent performance of the Steel Processing business and a positive contribution from the Hong Kong Steel Distribution business. The Group has achieved an unaudited six month profit for the period of HK\$44,141,000 approximately 100% increase compared the same period of the previous year.

### Steel and Metal Products

#### 1. *Steel Coil Processing*

The Steel Coil Processing business has performed moderately compared to the previous year. This is due to the general slow down of export sales in the metal products industry in the Pearl River Delta region, the decrease in Steel Coil prices and an increase in competition within the industry, all these have resulted in a decline in the profit margin for this operation. Despite these adverse factors, the overall result is an acceptable one and has contributed a valuable profit to the Group.

Over the short term, the Group believes an increase in competition within the industry will prevail. However, our business will continue to achieve satisfactory profit returns through the Group's distinctive advantages in its less competitive high-end products groups, extensive loyal customer base, good supply channel relationships and its consistently performing management team.

## **2. Wire Processing (Steel Wire, Wire Rope and Pre-stressed Wire Strand)**

Our Wire Processing business performance has been outstanding during this period, especially the PC Wire Strand factory located in Tianjin, PRC. This is due to the strong demand from various infrastructure developments within the PRC region. The PC Wire Strand business has delivered a strong and solid profit growth and the result is delightful.

In May 2005, the joint venture arrangement between the renowned U.K. based Steel Wire Rope manufacturer "Bridon" and our Elevator Wire Rope factory in Tianjin was fully completed. The joint venture is operating under the new name of "Bridon Tianjin Rope Ltd."

## **Construction Materials Products**

### **1. Steel Re-bar Stockholding and Distribution**

During 2004, the business line did suffer heavy losses due to volatile steel price movement and the Group's commitment to supply low price contracts to customers with high material cost. This year, the Group has recalibrated its business strategies to minimize the overall scale of the operation and further improve risk management measures. Although current steel prices remain unstable, the negative impact on the business line will be minimal due to the implementation of a series of conservative business strategies. As a result, the Steel Re-bar Distribution business has recorded positive returns during the period. With the continuation of current business strategies, the Group believes this business line can continue to provide positive profit contribution in the coming year.

## 2. *Ready Mixed Concrete Products*

The business had suffered losses due to Hong Kong's continuing sluggish construction industry and the Group restructuring of the operation in 2004. This year, even though Hong Kong construction activities still remain sluggish, with the awarded supply contract for the Hong Kong Airport "Sky Plaza" and cost reduction benefits from the restructuring of the business unit, the operation has achieved a significantly improved outlook and the Group believes the break-even target for the operation will be achieved in 2005. With the Hong Kong economy continuing to improve, positive forecasts in the property market and several major infrastructure projects in the pipeline, there is an optimistic outlook within the construction sector in Hong Kong over the next two years. The Group's concrete business will therefore benefit from this.

## LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, there was no significant change in the capital and loan structure of the Group. As at 30th June, 2005, the Group's cash and bank balances reached HK\$158,915,000. As at 30th June, 2005, current ratio (current assets to current liabilities) for the Group was 1.20:1.

As at 30th June, 2005, interest-bearing borrowings for the Group was approximately HK\$619,954,000.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

## CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company. As at 30th June, 2005, equity attributable to equity holders of the parent reached HK\$415,659,000.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30th June, 2005, the total number of staff of the Group in Hong Kong and the PRC was 1,007. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

## **PROSPECTS**

Over the past years, the Group had established a business portfolio that allows diversification of investment risk but yet remaining inline with the core businesses. Steel Coil Processing, Wire Processing, Steel Distribution and Concrete Products have become four fundamental businesses of the Group. The short term goal of the Group's management is to further strengthen the current four core businesses while the medium and long term goal will remain the same as before, that is, to diligently seek potential good investment opportunities within the Group's core business lines that can generate long term profit returns and value for the shareholders.



## DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2005, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follow:

### (1) Long position

#### *Shares of the Company*

Name of directors	Number of ordinary shares held			Percentage of issued shares
	Personal Interest	Held by controlled corporation	Total	
Mr. Pang Tak Chung (Note)	116,144,708	195,646,500	311,791,208	54.95%
Mr. Ho Wai Yu, Sammy	2,000	—	2,000	0.00%
Mr. Robert Keith Davies	21,104,292	—	21,104,292	3.72%

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

## (2) Share options

The share option scheme of the Company was first adopted on 25th June, 1994 (the "Old Share Option Scheme") and was terminated on 27th May, 2004 upon the adoption of a new option scheme and effective on the same date (the "New Share Option Scheme") and will expire on 26th May, 2014. The primary purpose of the New Option Scheme is to provide incentives or rewards to participants 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. Other key terms of the New Share Option Scheme had been summarized in our 2004 Annual Report published in April this year.

During the period, no share options had been granted since the adoption of the New Share Option Scheme and there was no share options outstanding under the Old Share Option Scheme.

## (3) Shares in subsidiaries

At 30th June, 2005, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and held by a controlled corporation, World Producer Limited, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 30th June, 2005, none of the directors and chief executives 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 (within the meaning of part XV of the SFO).

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, so far as known to any director of the Company, the following person, had interests in shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

### Long position in shares of the Company

<b>Name</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued shares</b>
Golik Investments Ltd.	195,646,500	34.48%
Pang Tak Chung ( <i>Note</i> )	311,791,208	54.95%

*Note:* Including 195,646,500 shares (approximately 34.48%) held through a controlled corporation, GIL and 116,144,708 shares (approximately 20.47%) held by himself.

## CONTINUING DISCLOSURE OBLIGATION

### (1) Disclosure Pursuant To Rules 13.13 And 13.15 Of The Listing Rules

As at 31st August, 2005, there were 567,362,500 shares of the Company in issue. Based on the average closing price of the Company's shares of HK\$0.2308 as stated in the Stock Exchange's daily quotation sheets for the trading days from 24th August, 2005 to 30th August, 2005 (both days inclusive), being five business days immediately preceding 31st August, 2005, the total market capitalization of the Company was approximately HK\$131 million as at 31st August, 2005 ("Market Capitalization").

As at 31st August, 2005, the aggregate amount of the receivables ("Receivables") due from the following entity (the "Entity") to the Group represented more than 8% of the Market Capitalization: —

Name of the Entity	Aggregate amount due to the Group as at 31st August, 2005	% to Market Capitalization	Payment terms	Nature of the transactions
Heshan Yue Ye Gong Mao Company Limited ("Heshan Yue Ye") (Note 1)	Approximately HK\$18 million	14.1%	(a) For rental receivable: Unsecured, interest free and repayable up to 31st December, 2006;	(a) Rent of machineries;
			(b) For management fee receivable: Unsecured, interest free and repayable up to 31st December, 2006; and	(b) Management fee (Note 2); and
			(c) For commission: Unsecured, interest free (Note 2).	(c) Commission (Note 2).

*Notes:*

- All Receivables represented amounts due from services provided by the Group in the ordinary course of business and on normal commercial terms. The Entity is independent of and not connected with the directors, chief executives or substantial shareholders of the Group, or their respective associates and not otherwise a connected person of the Company within the meaning of the Listing Rules.
- Management fee is charged for provision of on-site training, management and technical services on overall factory management, etc. Commission is charged for referral of business contacts in the PRC to Heshan Yue Ye upon conclusion of a deal and will be settled by Heshan Yue Ye upon full satisfactory completion of relevant transaction.

## (2) Disclosure Pursuant To Rule 13.18 Of The Listing Rules

The loan agreement dated 8th January, 2003 was entered into amongst, inter alias, the Company, CITIC Ka Wah Bank Limited (as arranger and agent) and a syndicate of banks (the "Loan Agreement")

On 8th January, 2003, the Company entered into the Loan Agreement with, inter alias, a syndicate of banks for a term loan facility of up to HK\$120,000,000 and repayable in full on or before the last business day in January 2006. Under the provisions of the Loan Agreement, there would be an event of default if, at any time Mr. Pang Tak Chung, chairman and a substantial shareholder (as defined in the Listing Rules) ceased to own and control either directly or indirectly collectively at least 51% of the shareholdings and voting rights in the Company. Upon occurrence of an event of default, all amounts accrued or outstanding in respect of all loans (including accrued interest) under the Loan Agreement shall become immediately due and payable.

As at 15th September, 2005, the amount outstanding under the Loan Agreement is HK\$26,941,000.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practices**

The Company has complied with the code provisions (with the exception of Code Provision C.2 on internal controls) set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2005, except for the following deviation:

Code Provision A.4.2 — This Code Provision stipulates that all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the By-Laws of the Company, Chairman of the Board and the Managing Director of the Company were not subject to retirement by rotation. Amendments to the relevant provisions of the By-Laws of the Company will be proposed at the 2006 annual general meeting of the Company to comply with this Code Provision.

### **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules ("Model Code"). All Directors had complied with the required standard 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, 2005.

### **Audit Committee**

The Audit Committee of the Company has reviewed the Group's unaudited financial statements for the six months ended 30th June, 2005.

## **Remuneration Committee**

A Remuneration Committee of the Company was established on 21st April, 2005 with written terms of reference based on those set out in Appendix 14 of the amended Listing Rules. The committee comprises one Non-executive Director and three Independent Non-executive Directors.

## **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, 2005.

## **APPRECIATION**

The Board of Directors would like to take this opportunity to express our heartfelt thanks to the support from all of the staff for their dedication and hard work. More, we would like to express our sincere gratitude to all our shareholders, customers, bankers as well as our business associates for their continued support. We are expecting our concerted effort will result in better results in the second half year.

By Order of the Board

**Pang Tak Chung**

*Chairman*

Hong Kong, 15th September, 2005