

GOLIK HOLDINGS LIMITED

Stock Code: 1118

INTERIM
REPORT
2006

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 MCFI

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA CPA MCFI

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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
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
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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, 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2006

| | Notes | Six months ended | |
|--|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2006 HK\$'000 (unaudited) | 30.6.2005 HK\$'000 (unaudited) |
| Turnover | 5 | 916,221 | 1,201,516 |
| Cost of sales | | (787,832) | (1,048,811) |
| Gross profit | | 128,389 | 152,705 |
| Other income | | 12,270 | 17,871 |
| Interest income | | 1,335 | 741 |
| Selling and distribution costs | | (29,241) | (37,133) |
| Administrative expenses | | (66,563) | (69,721) |
| Impairment loss on goodwill | | (2,750) | (4,200) |
| Finance costs | 6 | (15,596) | (14,677) |
| Gain on disposal of a subsidiary | | — | 3,299 |
| Share of results of jointly controlled entities | | 46 | (85) |
| Share of results of associates | | 683 | 244 |
| Profit before taxation | | 28,573 | 49,044 |
| Income taxes | 7 | (2,227) | (4,903) |
| Profit for the period | 8 | 26,346 | 44,141 |
| Attributable to: | | | |
| Equity holders of the Company | | 22,022 | 25,064 |
| Minority interests | | 4,324 | 19,077 |
| | | 26,346 | 44,141 |
| Dividend paid of 2 HK cents (2005: nil) per share | 9 | 11,347 | — |
| Earnings per share | 10 | | |
| Basic | | 3.88 cents | 4.42 cents |

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2006

| | | 30.6.2006 | 31.12.2005 |
|--|-------|--------------------|------------|
| | Notes | HK\$'000 | HK\$'000 |
| | | (unaudited) | (audited) |
| Non-current Assets | | | |
| Goodwill | | 10,744 | 13,494 |
| Investment properties | 11 | 26,400 | 26,400 |
| Property, plant and equipment | 11 | 256,017 | 267,135 |
| Prepaid lease payments | | 48,531 | 48,987 |
| Interests in jointly controlled entities | | 1,405 | 1,359 |
| Interests in associates | 12 | 5,936 | 5,253 |
| Long-term receivables | | 650 | 823 |
| Rental and other deposits | | 1,091 | 830 |
| | | 350,774 | 364,281 |
| Current Assets | | | |
| Inventories | | 324,502 | 309,368 |
| Trade and other receivables | 13 | 409,602 | 424,840 |
| Amounts due from jointly controlled entities | | 6,919 | 6,914 |
| Amount due from an associate | | 769 | 682 |
| Prepaid lease payments | | 1,195 | 1,192 |
| Income tax recoverable | | 160 | 148 |
| Derivative financial instruments | | — | 4 |
| Pledged bank deposits | 17 | 85,253 | 23,604 |
| Bank balances and cash | | 106,881 | 124,845 |
| | | 935,281 | 891,597 |

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

At 30th June, 2006

| | Notes | 30.6.2006 HK\$'000 (unaudited) | 31.12.2005 HK\$'000 (audited) |
|---|-------|--------------------------------------|-------------------------------------|
| Current Liabilities | | | |
| Trade and other payables | 14 | 240,662 | 188,488 |
| Amounts due to minority shareholders | | 4,411 | 4,091 |
| Income tax payable | | 2,806 | 812 |
| Derivative financial instruments | | 337 | — |
| Bank borrowings | 15 | 478,865 | 503,834 |
| Obligations under finance leases | | 2,687 | 4,942 |
| | | <u>729,768</u> | <u>702,167</u> |
| Net Current Assets | | | |
| | | <u>205,513</u> | <u>189,430</u> |
| | | <u>556,287</u> | <u>553,711</u> |
| Capital and Reserves | | | |
| Share capital | 16 | 56,736 | 56,736 |
| Share premium and reserves | | 380,926 | 369,049 |
| Equity attributable to equity holders of the Company | | 437,662 | 425,785 |
| Minority interests | | 91,799 | 102,833 |
| Total Equity | | | |
| | | <u>529,461</u> | <u>528,618</u> |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | 11,719 | 11,713 |
| Bank borrowings | 15 | 13,626 | 8,768 |
| Obligations under finance leases | | 1,481 | 4,612 |
| | | <u>26,826</u> | <u>25,093</u> |
| | | <u>556,287</u> | <u>553,711</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2006

| | Attributable to equity holders of the Company | | | | | | Total | Minority interests | Total |
|--|---|---------------|------------------------------|------------------|-----------------|----------------------------|----------|--------------------|----------|
| | Share capital | Share premium | Property revaluation reserve | Exchange reserve | Revenue reserve | (Deficit) retained profits | | | |
| | 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 | 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 (expense) income for the period | – | – | (19,401) | (581) | – | 44,431 | 24,449 | 18,853 | 43,302 |
| Retained 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) |
| At 30th June, 2005 | 56,736 | 318,118 | 19,532 | (431) | 2,428 | 19,276 | 415,659 | 103,650 | 519,309 |
| Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity | – | – | 34 | 2,757 | – | – | 2,791 | 1,025 | 3,816 |
| Profit for the period | – | – | – | – | – | 7,335 | 7,335 | 5,142 | 12,477 |
| Total recognised income for the period | – | – | 34 | 2,757 | – | 7,335 | 10,126 | 6,167 | 16,293 |
| Revenue reserve transferred to retained profits | – | – | – | – | (608) | 608 | – | – | – |
| Dividend paid to minority shareholders | – | – | – | – | – | – | – | (10,716) | (10,716) |
| Disposal of subsidiaries | – | – | – | – | – | – | – | (678) | (678) |
| Capital contribution from minority shareholders | – | – | – | – | – | – | – | 4,410 | 4,410 |
| At 31st December, 2005 | 56,736 | 318,118 | 19,566 | 2,326 | 1,820 | 27,219 | 425,785 | 102,833 | 528,618 |

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

For the six months ended 30th June, 2006

| | Attributable to equity holders of the Company | | | | | | | | |
|--|---|---------------|---------------------------|------------------|-----------------|----------------------------|----------|-----------|----------|
| | Share capital | Property | | | Revenue reserve | Retained profits (deficit) | Minority | | |
| | | Share premium | Share revaluation reserve | Exchange reserve | | | Total | interests | Total |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| At 1st January, 2006 | 56,736 | 318,118 | 19,566 | 2,326 | 1,820 | 27,219 | 425,785 | 102,833 | 528,618 |
| Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity | - | - | - | 1,202 | - | - | 1,202 | 394 | 1,596 |
| Profit for the period | - | - | - | - | - | 22,022 | 22,022 | 4,324 | 26,346 |
| Total recognised income for the period | - | - | - | 1,202 | - | 22,022 | 23,224 | 4,718 | 27,942 |
| Dividend paid | - | - | - | - | - | (11,347) | (11,347) | - | (11,347) |
| Dividend paid to minority shareholders | - | - | - | - | - | - | - | (15,752) | (15,752) |
| At 30th June, 2006 | 56,736 | 318,118 | 19,566 | 3,528 | 1,820 | 37,894 | 437,662 | 91,799 | 529,461 |

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2006

| | Six months ended | |
|---|-------------------------|-------------|
| | 30.6.2006 | 30.6.2005 |
| Note | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 115,285 | 62,234 |
| INVESTING ACTIVITIES | | |
| Increase in pledged bank deposits | (61,399) | (45,721) |
| Purchase of property, plant and equipment | (6,224) | (5,937) |
| Capital contributed to associates | — | (5,448) |
| Proceeds of disposal of property, plant and equipment and prepaid lease payments | 193 | 18,541 |
| Proceeds on disposal of investment properties | — | 11,458 |
| Net inflow of cash and cash equivalents in respect of disposal of a subsidiary | — | 2,162 |
| 19 Others | 2,587 | 1,032 |
| NET CASH USED IN INVESTING ACTIVITIES | (64,843) | (23,913) |
| FINANCING ACTIVITIES | | |
| Bank loans raised | 99,761 | 49,587 |
| Repayment of bank loans | (104,023) | (39,830) |
| Interest paid | (15,740) | (13,352) |
| Dividend paid to minority shareholders of subsidiaries | (15,752) | (16,426) |
| Net (repayment) borrowing of trust receipt loans | (23,590) | 4,073 |
| Repayment of mortgage loans | (3,224) | (7,854) |
| Mortgage loans raised | 12,000 | — |
| Dividend paid | (11,347) | — |
| Others | (5,118) | (6,537) |
| NET CASH USED IN FINANCING ACTIVITIES | (67,033) | (30,339) |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(continued)*

For the six months ended 30th June, 2006

| | Six months ended | |
|--|------------------|-------------|
| | 30.6.2006 | 30.6.2005 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (16,591) | 7,982 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 121,940 | 86,055 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 583 | (204) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 105,932 | 93,833 |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Bank balances and cash | 106,881 | 96,306 |
| Bank overdrafts | (949) | (2,473) |
| | 105,932 | 93,833 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2006

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.

2. Basis of preparation

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

3. Principal accounting policies

The condensed consolidated 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 consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries ("the Group") for the year ended 31st December, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December, 2005* or 1st January, 2006**.

| | |
|--------------------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures** |
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation** |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions** |
| HKAS 39 (Amendment) | The Fair Value Option** |
| HKAS 39 & HKFRS 4 (Amendments) | Financial Guarantee Contracts** |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources** |
| HK(IFRIC) – INT 4 | Determining whether an Arrangement contains a Lease** |
| HK(IFRIC) – INT 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds** |
| HK(IFRIC) – INT 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* |

The adoption of the new HKFRSs has resulted 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 have been prepared and presented:

Financial guarantee contracts

In the current period, the Group has applied HKAS 39 and HKFRS 4 (Amendments) "Financial Guarantee Contracts" which is effective for annual periods beginning on or after 1st January, 2006.

A financial guarantee contract is defined by HKAS 39 "Financial Instruments: Recognition and Measurement" as "a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument".

The Group acts as the issuer of the financial guarantee contracts

Prior to 1st January, 2006, financial guarantee contracts were not accounted for in accordance with HKAS 39 and those contracts were disclosed as contingent liabilities. A provision for financial guarantee was only recognised when it was probable that an outflow of resources would be required to settle the financial guarantee obligation and the amount could be estimated realisably.

Upon the application of these amendments, a financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

In relation to financial guarantees granted to banks over the repayment of loans by associates, the Group has applied the transitional provisions in HKAS 39. The adoption of HKAS 39 and HKFRS 4 (Amendments) had no material effect on how the results for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

4. Potential impact arising on the new accounting standards not yet effective

The Group has not early applied the following new standard, amendment and interpretations that have been issued but are not yet effective. The directors of the Company are in the process of making an assessment of the potential impact of this new standard, amendment and interpretations and so far concluded that the application of this new standard, amendment or these interpretations will have no material impact on the financial statements of the Group.

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Capital Disclosures ¹ |
| HKFRS 7 | Financial Instruments: Disclosures ¹ |
| HK(IFRIC) – INT 7 | Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" ² |
| HK(IFRIC) – INT 8 | Scope of HKFRS 2 ³ |
| HK(IFRIC) – INT 9 | Reassessment of Embedded Derivatives ⁴ |

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st March, 2006.

³ Effective for annual periods beginning on or after 1st May, 2006.

⁴ Effective for annual periods beginning on or after 1st June, 2006.

5. Segment information

The turnover and contributions to profit of the Group for the six months ended 30th June, 2006, analysed by business segments are as follows:

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

For the six months ended 30th June, 2006

| | 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 | 489,737 | 42,778 | 108,272 | 192,390 | 83,044 | - | 916,221 |
| Inter-segment sales | 2,179 | 8,617 | 304 | 24,081 | - | (35,181) | - |
| Total turnover | <u>491,916</u> | <u>51,395</u> | <u>108,576</u> | <u>216,471</u> | <u>83,044</u> | <u>(35,181)</u> | <u>916,221</u> |
| Inter-segment sales are charged at cost or cost plus a percentage profit mark-up. | | | | | | | |
| SEGMENT RESULT | <u>27,577</u> | <u>1,373</u> | <u>2,525</u> | <u>22,430</u> | <u>(776)</u> | <u>(172)</u> | <u>52,957</u> |
| Unallocated other income | | | | | | | 1,182 |
| Unallocated corporate expenses | | | | | | | (10,699) |
| Finance costs | | | | | | | (15,596) |
| Share of results of jointly controlled entities | - | - | - | - | 46 | - | 46 |
| Share of results of associates | 683 | - | - | - | - | - | 683 |
| Profit before taxation | | | | | | | 28,573 |
| Income taxes | | | | | | | (2,227) |
| Profit for the period | | | | | | | <u>26,346</u> |

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 | – | 1,540 | 38,998 | – | (41,660) | – |
| Total turnover | <u>629,191</u> | <u>34,386</u> | <u>137,741</u> | <u>354,578</u> | <u>87,280</u> | <u>(41,660)</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>1,249</u> | <u>(5,533)</u> | <u>5,484</u> | <u>552</u> | <u>91</u> | 65,340 |
| Unallocated other income | | | | | | | 1,574 |
| Unallocated corporate expenses | | | | | | | (6,651) |
| 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 | – | – | – | – | – | <u>244</u> |
| Profit before taxation | | | | | | | 49,044 |
| Income taxes | | | | | | | <u>(4,903)</u> |
| Profit for the period | | | | | | | <u>44,141</u> |

6. Finance costs

| | Six months ended | |
|--|-------------------------|---------------|
| | 30.6.2006 | 30.6.2005 |
| | HK\$'000 | HK\$'000 |
| Interest on: | | |
| Bank borrowings wholly repayable within five years | 15,289 | 14,400 |
| Finance leases | 307 | 277 |
| | <u>15,596</u> | <u>14,677</u> |

7. Income taxes

| | Six months ended | |
|---------------------|-------------------------|-----------|
| | 30.6.2006 | 30.6.2005 |
| | HK\$'000 | HK\$'000 |
| Current tax: | | |
| Hong Kong | 2,042 | 2,174 |
| Other jurisdictions | 185 | 2,742 |
| | 2,227 | 4,916 |
| Deferred tax | — | (13) |
| | 2,227 | 4,903 |

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2006.

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

8. Profit for the period

| | Six months ended | |
|--|-------------------------|-----------|
| | 30.6.2006 | 30.6.2005 |
| | HK\$'000 | HK\$'000 |
| Profit for the period has been arrived at after charging (crediting): | | |
| Allowance for bad and doubtful debts | 8,730 | 6,746 |
| Amortisation of prepaid lease payments | 597 | 458 |
| Depreciation | 18,128 | 18,022 |
| Gain on disposal of property, plant and equipment and prepaid lease payments | (36) | (228) |
| Gain on disposal of investment properties | — | (198) |
| Change in fair value of derivative financial instruments | 341 | (4,622) |
| Gain on disposal of derivative financial instruments | (285) | (1,244) |
| Rental income | (679) | (1,245) |

9. Dividend

On 16th June, 2006, a dividend of 2 HK cents per share, amounting to HK\$11,347,000, was paid to shareholders as the final dividend for the year ended 31st December, 2005.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2006.

10. 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 the Company of HK\$22,022,000 (2005: HK\$25,064,000) and 567,362,500 (2005: 567,362,500) shares in issue during the period.

11. Investment properties, property, plant and equipment

In the opinion of the directors, there is no material difference between the carrying amount and the fair value of investment properties or revalued amounts of buildings at 30th June, 2006.

During the period, the Group spent approximately HK\$6 million on the acquisition of assets in order to facilitate its manufacturing capabilities. In addition, the Group disposed of property, plant and equipment with a carrying amount of approximately HK\$0.2 million.

12. Interests in associates

| | 30.6.2006 | 31.12.2005 |
|--|---------------------|--------------|
| | HK\$'000 | HK\$'000 |
| Cost of investments (unlisted) | 5,449 | 5,449 |
| Share of post-acquisition profits | 1,901 | 1,218 |
| Less: Unrealised gain on disposal of a subsidiary in prior year (note 19) | (1,414) | (1,414) |
| | <u>5,936</u> | <u>5,253</u> |

Particulars of the associates are as follows:

| Name | Form of business structure | Place of incorporation/ registration/ operation | Effective 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. ("Bridon Tianjin") | Equity joint venture | PRC | 22.65% | Manufacturing and sale of steel wire rope for elevators |

13. Trade and other receivables

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

The following is an aged analysis of trade receivables at the balance sheet date:

| | | |
|--------------------|------------------|------------|
| | 30.6.2006 | 31.12.2005 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | 126,176 | 135,507 |
| 31 – 60 days | 99,600 | 106,692 |
| 61 – 90 days | 72,463 | 73,462 |
| 91 – 120 days | 30,774 | 28,597 |
| More than 120 days | 12,039 | 22,584 |
| | 341,052 | 366,842 |

14. Trade and other payables

The following is an aged analysis of trade payables at the balance sheet date:

| | | |
|--------------------|------------------|------------|
| | 30.6.2006 | 31.12.2005 |
| | HK\$'000 | HK\$'000 |
| 0 – 30 days | 71,308 | 60,573 |
| 31 – 60 days | 23,223 | 17,405 |
| 61 – 90 days | 14,122 | 8,413 |
| 91 – 120 days | 27,967 | 7,435 |
| More than 120 days | 41,124 | 29,358 |
| | 177,744 | 123,184 |

15. Bank borrowings

During the period, the Group obtained new bank borrowings of HK\$143 million and repaid bank borrowings of HK\$163 million. The loans bear interest at market rates with an average effective borrowing rates ranging from 2.68% to 3.91% (2005: 1.81% to 3.2%) per annum and are repayable within five years.

16. Share capital

| | Number of shares | Amount HK\$'000 |
|--|-------------------------|---------------------------|
| Ordinary shares of HK\$0.10 each | | |
| Authorised: | | |
| At 31st December, 2005 and 30th June, 2006 | <u>1,800,000,000</u> | <u>180,000</u> |
| Issued and fully paid: | | |
| At 31st December, 2005 and 30th June, 2006 | <u>567,362,500</u> | <u>56,736</u> |

17. Pledge of assets

At 30th June, 2006, the Group has pledged the following assets to financial institutions as securities against credit facilities granted to the Group:

| | 30.6.2006 HK\$'000 | 31.12.2005 HK\$'000 |
|--------------------------------------|-------------------------------------|------------------------|
| Investment properties | 23,600 | 23,600 |
| Plant and machinery and equipment | 13,566 | 14,495 |
| Buildings and prepaid lease payments | 47,410 | 45,404 |
| Inventories | 12,525 | — |
| Bank deposits | 85,253 | 23,604 |
| | <u>182,354</u> | <u>107,103</u> |

18. Capital commitments

| | 30.6.2006 HK\$'000 | 31.12.2005 HK\$'000 |
|--|-------------------------------------|------------------------|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements | <u>135</u> | <u>2,602</u> |

19. Disposal of a subsidiary

During the prior period, the Group disposed of its entire 51% equity interest in Bridon Tianjin to a 30% associate of the Group.

NET ASSETS DISPOSED OF

| | Six months ended 30.6.2005 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) |
| 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> |
| 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 a subsidiary | 4,713 |
| Less: unrealised gain on disposal offset against interests in associates (note 12) | (1,414) |
| | <u>3,299</u> |
| Gain recognised in consolidated income statement | <u>3,299</u> |

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

20. Contingent liabilities

At 30th June, 2006 the Group has provided corporate guarantees to the extent of HK\$4,600,000 (31.12.2005: HK\$1,600,000) to banks to secure the banking facilities granted to its associates.

21. Event after balance sheet date

On 15th July, 2006, the Group entered into an agreement with 鶴山市沙坪經濟發展總公司 in relation to the acquisition of remaining 40% of interest in a subsidiary, Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei"), for a cash consideration of approximately RMB7,196,000. Management is still in the process of determining the financial effect of this acquisition.

22. Related party transactions

During the period, the Group paid remuneration of HK\$4,910,000 (2005: HK\$4,214,000) to the directors of the Group.

BUSINESS REVIEW

The Group has maintained an overall stable performance for the first half year of 2006. The unaudited profit of the Group for the six months ended was HK\$26,346,000 which is slightly less performed than the same period of last year. During the period, there was not much change in the overall business environment since the construction industry has not yet been recovered from previous industry downturn. The price of Steel Products remained unstable due to fluctuation of demand and supply, the Group had to continue to adopt conservative business approach for the operation of Steel Products. As a result, both turnover and profit compared with the corresponding period of last year have been decreased even though the gross profit margin could be sustained at a comparable level.

Steel and Metal Products

1. Steel Coil Processing

Located in Tai Po Industrial Estate, Hong Kong and Dongguan, Guangdong Province, the two Steel Coil Centers delivered steady results. Brought forward from the last year second half's sluggish market condition in the industry, these operations still

faced with keen competition in the first quarter of this year, overall turnover and profit have slightly decreased when compared with the same period of last year. The result was still acceptable.

2. *Wire Processing (Steel Wires, Wire Ropes and Pre-stressed Strands)*

The results of those Wire Processing business units did not meet our expectations especially the operation of Pre-stressed Strands, over the past two years, market demand for the product was fantastic and brought very good profits to the industry as well as to the Group. As a result, most competitors had increased their production capacities from which unbalanced demand and supply of the product was caused, over production capacities intensify very keen competition. It is expected that the disappointed market situation would be continued within the coming two years, the Group has planned to invest and upgrade other Wire Products and increase of their added value in order to ensure the position weighing for Wire Products within the Group's core business.

Construction Materials Products

1. *Steel Stockholding and Distribution*

The Steel Stockholding and Distribution business of the Group is mainly to supply the Steel Re-bars for construction use in Hong Kong.

During the period, the price of the Steel Products still remained unstable. In order to alleviate against unnecessary exposure to price undulation of the product, the Group did adjust the business operation mode which resulted a 30% decrease in turnover but a significant growth in profit compared to the same period of last year. The result was satisfactory.

2. Concrete Products

The Group's Concrete Products are mainly to supply Ready Mixed Concrete and Precast Concrete Products for construction use in both Hong Kong and Guangzhou.

Owing to continuing stagnant construction industry, the demand for Concrete Products was the lowest during the period among the last ten years. Nevertheless, this business has benefited from our dedicated ongoing efforts in organizational restructuring and reduction of operational cost over the past two years. Profit has already resumed and the result is encouraging. It is anticipated that results from the Concrete Products will continue to improve.

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, 2006, the Group's cash and bank balances reached approximately HK\$192,134,000. As at 30th June, 2006, current ratio (current assets to current liabilities) for the Group was 1.28:1.

As at 30th June, 2006, borrowings for the Group was approximately HK\$496,659,000.

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, 2006, equity attributable to equity holders of the Company reached approximately HK\$437,662,000.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2006, the total number of staff of the Group in Hong Kong and the PRC was 1,090. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

PROSPECTS

For the second half-year, the business environment is expected to remain volatile with certain unpredictable factors. However, the Group is still optimistic toward the performance for the whole year.

Over the past two years, the Group has exerted stable and cautious business strategies in order to reduce negative impacts brought by steel price fluctuation. Although turnover had been declined resulting from those strategies, the profit return was stable. The Group also understands that it is important to get a fine balance between the business strategies of "Conservative, Keep Stable" and "Aggressive, Continue to Develop", the Group would ensure management people to keep a close eye in the market and tailor operating strategies in accordance with market changes. With various put-in effort, the Group aims ultimately at profitability improvement, solid and stable profit as a return to shareholders.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2006, the interests of the directors and chief executive of the Company in the shares of the Company or any of 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the 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 Rules Governing the Listing of Securities on the Stock Exchange (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) | 121,994,708 | 195,646,500 | 317,641,208 | 55.99% |
| 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

During the period, no share options had been granted under the share option scheme since its adoption on 27th May, 2004.

(3) Shares in subsidiaries

At 30th June, 2006, 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, at 30th June, 2006, 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

At 30th June, 2006, 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

| Name | Number of ordinary shares held | Percentage of issued shares |
|--------------------------------|-----------------------------------|--------------------------------|
| GIL | 195,646,500 | 34.48% |
| Pang Tak Chung (<i>Note</i>) | 317,641,208 | 55.99% |

Note: Including 195,646,500 shares (approximately 34.48%) held through a controlled corporation, GIL and 121,994,708 shares (approximately 21.50%) held by himself.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code of Corporate Governance Practices (the "CG Code") in Appendix 14 of the Listing Rules of the Stock Exchange. The Company has complied with the code provisions (with the exception of Code Provision A.2.1 on separate role of chairman and chief executive officer) as set out in the CG Code during the six months ended 30th June, 2006. Explanation for such non-compliance is provided and discussed below.

Code Provision A.2.1 on separate role of chairman and chief executive officer

The CG Code stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. 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 the Company's business efficiently.

Audit Committee

The Audit Committee has reviewed with management the accounting principles and policies adopted by the Group and the unaudited consolidated financial statements for the six months ended 30th June, 2006.

Remuneration Committee

The Remuneration Committee comprising the non-executive director and all three independent non-executive directors of the Company. The Committee was set up to review and recommend to the Board the remuneration policy of the Directors and senior management.

Directors' Securities Transaction

The Company has adopted a code of conduct regarding securities transaction 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, 2006.

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, 2006.

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. Further, 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 be in return a better performance in the second half year.

By Order of the Board

Pang Tak Chung

Chairman

Hong Kong, 19th September, 2006