

GOLIK HOLDINGS LIMITED

Stock Code: 1118



INTERIM
REPORT
2007

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 MCMI

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Registered Office

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Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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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
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
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Investor Relations

JOVIAN Financial Communications
Limited
Rooms 1405-14, 14th Floor
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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, 2007 together with the comparative unaudited figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

		Six months ended	
	<i>Notes</i>	30.6.2007	30.6.2006
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	4	1,151,043	916,221
Cost of sales		(1,038,965)	(787,832)
Gross profit		112,078	128,389
Other income		14,036	12,270
Interest income		1,197	1,335
Selling and distribution costs		(32,773)	(29,241)
Administrative expenses		(57,321)	(66,563)
Impairment loss on goodwill		(900)	(2,750)
Finance costs	5	(15,483)	(15,596)
Share of results of jointly controlled entities		114	46
Share of results of associates		667	683
Profit before taxation		21,615	28,573
Income taxes	6	(1,791)	(2,227)
Profit for the period	7	19,824	26,346
Attributable to:			
Equity holders of the Company		17,561	22,022
Minority interests		2,263	4,324
		19,824	26,346
Dividend paid of 2.2 HK cents (2006: 2 HK cents) per share	8	12,460	11,347
Earnings per share	9		
Basic		3.10 HK cents	3.88 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	Notes	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
Non-current Assets			
Goodwill		6,164	6,994
Investment properties	10	14,400	25,900
Property, plant and equipment	10	231,946	239,905
Prepaid lease payments		47,732	47,911
Interests in jointly controlled entities		1,717	1,603
Interests in associates	11	7,374	6,707
Long-term receivables		102	155
Rental and other deposits		1,389	1,091
		<u>310,824</u>	<u>330,266</u>
Current Assets			
Inventories		394,814	298,222
Trade and other receivables	12	505,911	453,074
Amounts due from jointly controlled entities		6,966	6,962
Amount due from an associate		417	494
Prepaid lease payments		1,197	1,187
Income tax recoverable		163	141
Derivative financial instruments		1,070	—
Pledged bank deposits	16	20,303	23,707
Bank balances and cash		91,107	143,481
		<u>1,021,948</u>	<u>927,268</u>
Current Liabilities			
Trade and other payables	13	214,764	194,496
Amounts due to minority shareholders		2,661	2,791
Income tax payable		3,971	3,561
Derivative financial instruments		—	322
Bank borrowings	14	531,325	485,150
Bank overdrafts		3,742	532
Obligations under finance leases		2,731	3,110
		<u>759,194</u>	<u>689,962</u>
Net Current Assets		<u>262,754</u>	<u>237,306</u>
		<u>573,578</u>	<u>567,572</u>
Capital and Reserves			
Share capital	15	56,736	56,736
Share premium and reserves		411,422	402,801
Equity attributable to equity holders of the Company		468,158	459,537
Minority interests		83,315	82,600
Total Equity		<u>551,473</u>	<u>542,137</u>
Non-current Liabilities			
Deferred tax liabilities		11,756	11,735
Bank borrowings	14	7,064	9,613
Obligations under finance leases		3,285	4,087
		<u>22,105</u>	<u>25,435</u>
		<u>573,578</u>	<u>567,572</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	Revenue reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2006 (audited)	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 (unaudited)	56,736	318,118	19,566	3,528	1,820	37,894	437,662	91,799	529,461
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity	—	—	—	2,833	—	—	2,833	872	3,705
Profit for the period	—	—	—	—	—	19,042	19,042	2,871	21,913
Total recognised income for the period	—	—	—	2,833	—	19,042	21,875	3,743	25,618
Retained profits transferred to revenue reserve	—	—	—	—	1,569	(1,569)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(192)	(192)
Acquisition of additional interest in a subsidiary from minority shareholder	—	—	—	—	—	—	—	(12,750)	(12,750)
At 31st December, 2006 (audited)	56,736	318,118	19,566	6,361	3,389	55,367	459,537	82,600	542,137
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity	—	—	—	3,520	—	—	3,520	851	4,371
Profit for the period	—	—	—	—	—	17,561	17,561	2,263	19,824
Total recognised income for the period	—	—	—	3,520	—	17,561	21,081	3,114	24,195
Dividend paid	—	—	—	—	—	(12,460)	(12,460)	—	(12,460)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(1,380)	(1,380)
Acquisition of additional interest in a subsidiary from minority shareholders	—	—	—	—	—	—	—	(1,019)	(1,019)
At 30th June, 2007 (unaudited)	56,736	318,118	19,566	9,881	3,389	60,468	468,158	83,315	551,473

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Six months ended	
	30.6.2007 HK\$'000 (unaudited)	30.6.2006 HK\$'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u>(75,156)</u>	<u>115,285</u>
INVESTING ACTIVITIES		
Decrease (increase) in pledged bank deposits	4,139	(61,399)
Purchase of property, plant and equipment	(7,582)	(6,224)
Proceeds of disposal of property, plant and equipment and prepaid lease payments	178	193
Proceeds on disposal of investment properties	11,500	—
Others	876	2,587
NET CASH FROM (USED IN) INVESTING ACTIVITIES	<u>9,111</u>	<u>(64,843)</u>
FINANCING ACTIVITIES		
Bank loans raised	94,257	99,761
Repayment of bank loans	(120,992)	(104,023)
Interest paid	(15,729)	(15,740)
Dividend paid to minority shareholders of subsidiaries	(1,380)	(15,752)
Net borrowing (repayment) of trust receipt loans	68,364	(23,590)
Repayment of mortgage loans	(1,089)	(3,224)
Mortgage loans raised	—	12,000
Dividend paid	(12,460)	(11,347)
Others	(1,813)	(5,118)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>9,158</u>	<u>(67,033)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(56,887)</u>	<u>(16,591)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	142,949	121,940
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1,303</u>	<u>583</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>87,365</u>	<u>105,932</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	91,107	106,881
Bank overdrafts	(3,742)	(949)
	<u>87,365</u>	<u>105,932</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

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, 2006.

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 the Group's financial year beginning 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st January, 2008

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)	—
	<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>2,775</u>	<u>22,430</u>	<u>1,724</u>	<u>(172)</u>	55,707
Unallocated other income							1,182
Unallocated corporate expenses							(10,699)
Impairment loss on goodwill	—	—	(250)	—	(2,500)	—	(2,750)
Finance costs							(15,596)
Share of results of jointly controlled entities	—	—	—	—	46	—	46
Share of results of associates	683	—	—	—	—	—	683
							<u>28,573</u>
Profit before taxation							28,573
Income taxes							(2,227)
							<u>26,346</u>
Profit for the period							<u>26,346</u>

5. FINANCE COSTS

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings and bank overdrafts wholly repayable within five years	15,252	15,289
Finance leases	231	307
	<u>15,483</u>	<u>15,596</u>

6. INCOME TAXES

	Six months ended	
	30.6.2007 <i>HK\$'000</i>	30.6.2006 <i>HK\$'000</i>
Current tax:		
Hong Kong	1,078	2,042
Other jurisdictions	713	185
	<u>1,791</u>	<u>2,227</u>

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the six months ended 30th June, 2007.

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

7. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2007 <i>HK\$'000</i>	30.6.2006 <i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
(Write back of) allowance for bad and doubtful debts, net	(1,997)	8,730
Amortisation of prepaid lease payments	596	597
Depreciation	17,702	18,128
Gain on disposal of property, plant and equipment and prepaid lease payments	(72)	(36)
Change in fair value of derivative financial instruments	(1,392)	341
Gain on expiration of derivative financial instruments	(2,045)	(285)
Rental income	(994)	(679)
	<u>(1,997)</u>	<u>(679)</u>

8. DIVIDEND

On 15th June, 2007, a dividend of 2.2 HK cents per share, amounting to HK\$12,460,000, was paid to shareholders as the final dividend for the year ended 31st December, 2006.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2007.

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 the Company of HK\$17,561,000 (2006: HK\$22,022,000) and 567,362,500 (2006: 567,362,500) shares in issue during the period.

10. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

In the opinion of the directors, there is no material difference between the carrying amount and the fair values of investment properties or revalued amounts of buildings at 30th June, 2007.

During the period, the Group spent approximately HK\$7.6 million on the acquisition of assets in order to facilitate its manufacturing capabilities. In addition, the Group disposed of property, plant and equipment and investment properties with a carrying amount of approximately HK\$0.1 million and HK\$11.5 million, respectively.

11. INTERESTS IN ASSOCIATES

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Cost of investments (unlisted)	5,449	5,449
Share of net post-acquisition profits	3,339	2,672
Less: Unrealised gain on disposal of a subsidiary	(1,414)	(1,414)
	<u>7,374</u>	<u>6,707</u>

Particulars of the associates are as follows:

Name of company	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.	Equity joint venture	PRC	22.65%	Manufacturing and sales of steel wire ropes for elevators

12. TRADE AND OTHER RECEIVABLES

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

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

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
0 – 30 days	168,822	160,004
31 – 60 days	129,558	115,961
61 – 90 days	79,695	73,042
91 – 120 days	31,969	29,337
More than 120 days	29,941	22,894
	<u>439,985</u>	<u>401,238</u>

13. TRADE AND OTHER PAYABLES

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

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
0 – 30 days	67,638	75,934
31 – 60 days	16,919	11,652
61 – 90 days	14,175	4,512
91 – 120 days	6,348	1,512
More than 120 days	27,652	26,124
	<u>132,732</u>	<u>119,734</u>

14. BANK BORROWINGS

During the period, the Group obtained new bank borrowings of HK\$209 million and repaid bank borrowings of HK\$167 million. The loans bear interest at market rates with an average effective borrowing rates ranging from 2.58% to 3.02% (2006: 2.68% to 3.91%) per annum and are repayable within five years.

15. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2006 and 30th June, 2007	1,800,000,000	180,000
Issued and fully paid:		
At 31st December, 2006 and 30th June, 2007	567,362,500	56,736

16. PLEDGE OF ASSETS

At 30th June, 2007, the Group has pledged the following assets to financial institutions as securities against credit facilities granted to the Group:

	30.6.2007 <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Investment properties	11,900	23,400
Land and buildings and prepaid lease payments	41,343	41,605
Plant and machinery and equipment	12,327	13,104
Bank deposits	20,303	23,707
	<u>85,873</u>	<u>101,816</u>

17. CAPITAL COMMITMENTS

	30.6.2007 <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided in the condensed consolidated financial statements	15,547	3,134
– authorised but not contracted for	3,742	—
	<u>19,289</u>	<u>3,134</u>

18. CONTINGENT LIABILITIES

At 30th June, 2007, the Group has provided corporate guarantees to the extent of HK\$5,100,000 (31.12.2006: HK\$4,600,000) to banks to secure the banking facilities granted to its associates. Such guarantee will be released by banks upon the expiry of the banking facilities. In the opinion of directors, the fair value of the financial guarantee contracts at the date of inception is not significant.

19. RELATED PARTY TRANSACTIONS

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

	Trade purchases		Rental charges		Acquisition of additional interest in a subsidiary		Payment on behalf of the entities	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A jointly controlled entity	2,783	2,028	—	—	—	—	—	—
Associates	—	—	—	—	—	—	21	—
Minority shareholders of subsidiaries	—	—	76	72	1,089	—	—	—

Compensation of key management personnel

During the period, the Group paid remuneration of HK\$5,226,000 (2006: HK\$4,910,000) to the directors, the key management personnel of the Group.

BUSINESS REVIEW

For the first half year of 2007, the Group achieved a turnover of HK\$1,151,043,000, an increase of 26% compared to the corresponding period of last year. Increase in turnover was mainly benefited from the increases in both volume and prices of steel sold together with a prominent growth in the Hong Kong concrete operation.

The unaudited profit of the Group for the six months ended was HK\$19,824,000, a decrease compared to the corresponding period of last year. The decrease was mainly due to the steel stocking operation being greatly affected by the volatility in market prices of steel. In an effort to facilitate the easing of trade tensions between the People's Republic of China (the "PRC") and other countries such as the European Union and the United States, the government of the PRC had introduced multiple policies to dampen the volume of export. And in particular, the steel-related products, the government of the PRC had also signaled new measures to be imposed on certain export products, including reducing export tax rebate, canceling export tax rebate and levying export duties, consequently affecting the overall stability of steel prices. In turn, the cost of steel operation had become more difficult to grasp thus reducing operating profit margin substantially.

Steel and Metal Products

1. *Steel Coil Processing*

Over the years, the PRC's export manufacturing sector had expanded at a slower rate during which export orders of metal products stemming from the Pearl River Delta Region were largely unsatisfactory. The irregularity of steel raw material prices had resulted in factories receiving fewer orders or using lower grade steel raw materials. The Steel Coil Processing Center during this period had been dispositioned marginally against the last corresponding period due to less favourable condition in market demand.

In order to make provision for longer term development, a new Steel Coil Processing Center situated in Dongguan, Guangdong Province had begun operating to serve mainly the domestic market in the PRC. The Management anticipates this Steel Coil Processing Center can gradually magnify weighting in domestic market share and increase competitiveness in the market.

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

As to the Steel Wires products, market was faced with fierce competition, profit margins were continued to be put under intense pressure. Through the Group's strategies of strengthening the management, firming up on the cost and increasing the efficiency, operating profit from the Wires Processing operation was sustained during the period.

In order to maintain the Steel Wires product's competitiveness in the market and its leading role, the Group has recently decided to invest approximately HK\$30,000,000 to purchase a new state of the art steel wires production line from overseas. It is forecasted that the production line will begin operating from the third quarter of 2008. Such capital injection is anticipated to provide additional revenue to the Group as well as to consolidate the market position of Steel Wires factory in Heshan, Guangdong Province in production of high quality Steel Wires in the coming years.

Construction Materials Products

1. *Steel Re-bars Stockholding and Distribution*

During the first half year of 2007, the government of the PRC had made multiple adjustments to the export tax rebate rate on steel products and announced the implementation of steel export duty in June, 2007. These changes had dramatically increased the cost of Steel Re-bars for construction use and the profit margins had been declined significantly and the result during this period was unsatisfactory. The Group still remains highly optimistic and confident towards its longer term development of this operation.

2. *Ready Mixed Concrete Products*

The concrete operations in Hong Kong and Guangzhou regions did achieve the targeted forecasts. In particular, the participation in the supply contracts for the expansion projects of Hong Kong International Airport had kicked into high gear which had greatly benefited the Hong Kong concrete operation. Sales and profit for the period had been increased exponentially compared to that of the corresponding period of last year and had delivered solid results.

After several years of commitment, the concrete products had positioned themselves well in both the Hong Kong and Guangzhou's markets and had been distinguished as one of the core operations within the Group. The Management will continue their efforts to explore new market opportunities so as to making this operation as another potential revenue source to the Group.

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, 2007, the total bank balances and cash of the Group reached approximately HK\$111,410,000. As at 30th June, 2007, current ratio (current assets to current liabilities) for the Group was 1.35:1.

As at 30th June, 2007, total borrowings for the Group were approximately HK\$548,147,000.

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, the Group believes its exposure to exchange risk is not material. 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 change to the share capital of the Company. As at 30th June, 2007, equity attributable to equity holders of the Company reached approximately HK\$468,158,000.

As at 30th June, 2007, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.79:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2007, the total number of staff of the Group was 1,153. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees. Share options may also be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 27th May, 2004.

PROSPECT

The Group is still confronted by externalities amongst other challenges over the horizon such as fluctuation in the prices of raw materials, slowing down in the manufacturing sector and changing of policies by the government of the PRC. Nevertheless, the Management has the ability to respond to this dynamic market environment with confidence in our decision making and implement corresponding strategies to sustain the Group's stable fundamental as well as operational advantages.

The Group is determined to consolidate all existing business operations, and at the same time be proactively involved in developing new products, exploring new markets and other potential investment opportunities. The Group is optimistic and has a positive outlook towards long-term growth prospects.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2007, the interests or short positions of the directors and chief executive of the Company in the shares and underlying 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 follows:

(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)	133,274,708	195,646,500	328,921,208	57.97%
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. which is wholly owned by Mr. Pang Tak Chung.

(2) Share options

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

(3) Shares in subsidiaries

As at 30th June, 2007, 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, 2007, 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 SHAREHOLDER

As at 30th June, 2007, so far as known to any director 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 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	34.48%

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, 2007, had 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 the 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

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 on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Listing Rules. The Company had complied with the code provisions (with the exception of Code Provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) as set out in the CG Code during the six months ended 30th June, 2007. Explanations for such non-compliance are provided and discussed below.

Terms of Non-Executive Directors

Code provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The non-executive directors were not appointed for a specific term. All directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-Laws.

Chairman and Chief Executive Officer

The CG Code stipulates that the roles of chairman and chief executive officer should be separate 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 the management the accounting principles and policies adopted by the Group, the internal control and financial reporting matters (including reviews of the unaudited consolidated financial statements and the interim report of the Company for the six months ended 30th June, 2007).

REMUNERATION COMMITTEE

The Remuneration Committee comprises a non-executive director and 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.

DIRECTORS' SECURITIES TRANSACTIONS

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 to the Listing Rules (the "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, 2007.

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, 2007.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to sincerely thank all the staff within the Group for their dedicated efforts and commitments. Gratitude would also be extended to our shareholders, clients, bankers and business partners for their relentless supports. With their dedication and commitment, the Group will deliver better result in the second half year.

By Order of the Board
Pang Tak Chung
Chairman

Hong Kong, 19th September, 2007