

The logo features the word "GOLIK" in a large, white, sans-serif font. The letters "O" and "L" are significantly larger than the others. The text "GOLIK HOLDINGS LIMITED" is written in a smaller, white, sans-serif font across the middle of the "O" and "L". The background is a solid tan color with a white grid pattern of vertical and horizontal lines.

# GOLIK

GOLIK HOLDINGS LIMITED

Stock Code: 1118

INTERIM  
REPORT  
2008

## 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  
(*resigned on 30th June, 2008*)

### **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 HM 11  
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)

### **Auditor**

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  
Hong Kong

### **Investor Relations**

JOVIAN Financial Communications Limited  
Room 1405-14, 14th Floor  
Sun Hung Kai Centre  
30 Harbour Road  
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, 2008 together with the comparative unaudited figures for the corresponding period in 2007 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Notes	Six months ended	
		30.6.2008 HK\$'000 (unaudited)	30.6.2007 HK\$'000 (unaudited)
Turnover	4	<b>1,804,172</b>	1,151,043
Cost of sales		<b>(1,628,512)</b>	(1,038,965)
Gross profit		<b>175,660</b>	112,078
Other income		<b>12,226</b>	14,036
Interest income		<b>976</b>	1,197
Other gains and losses	5	<b>(5,076)</b>	1,097
Selling and distribution costs		<b>(44,071)</b>	(32,773)
Administrative expenses		<b>(69,774)</b>	(59,318)
Finance costs	6	<b>(19,867)</b>	(15,483)
Share of results of jointly controlled entities		<b>15</b>	114
Share of results of associates		<b>1,968</b>	667
Profit before taxation		<b>52,057</b>	21,615
Income taxes	7	<b>(5,494)</b>	(1,791)
Profit for the period	8	<b>46,563</b>	19,824
Attributable to:			
Equity holders of the Company		<b>38,601</b>	17,561
Minority interests		<b>7,962</b>	2,263
		<b>46,563</b>	19,824
Dividend paid of 1.2 HK cents (2007: 2.2 HK cents) per share	9	<b>6,808</b>	12,460
Earnings per share	10	<b>6.80 HK cents</b>	3.10 HK cents
Basic			

## CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	<i>Notes</i>	<b>30.6.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2007 HK\$'000 (audited)
<b>Non-current Assets</b>			
Goodwill		<b>4,063</b>	5,563
Investment properties	11	<b>17,310</b>	17,310
Property, plant and equipment	11	<b>245,208</b>	225,077
Prepaid lease payments		<b>33,769</b>	33,276
Interests in jointly controlled entities		<b>1,794</b>	1,779
Interests in associates		<b>10,825</b>	8,857
Long-term receivables		<b>1,113</b>	2,356
Rental and other deposits		<b>1,267</b>	1,368
Deposits paid for acquisition of property, plant and equipment		<b>6,655</b>	10,524
		<b>322,004</b>	306,110
<b>Current Assets</b>			
Inventories		<b>520,733</b>	325,489
Trade and other receivables	12	<b>603,071</b>	644,722
Amounts due from jointly controlled entities		<b>7,014</b>	7,009
Amount due from an associate		—	527
Prepaid lease payments		<b>859</b>	837
Income tax recoverable		<b>120</b>	2,258
Derivative financial instruments		<b>253</b>	—
Pledged bank deposits	16	<b>72,622</b>	6,846
Bank balances and cash		<b>164,726</b>	163,279
		<b>1,369,398</b>	1,150,967
Assets classified as held for sale		—	22,484
		<b>1,369,398</b>	1,173,451

# GOLIK HOLDINGS LIMITED

	<i>Notes</i>	<b>30.6.2008</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2007 <i>HK\$'000</i> (audited)
<b>Current Liabilities</b>			
Trade and other payables	13	264,595	248,232
Amounts due to minority shareholders		3,360	3,779
Amount due to an associate		803	—
Income tax payable		2,649	1,496
Derivative financial instruments		—	13
Bank borrowings	14	762,974	640,417
Obligations under finance leases		2,235	2,340
Bank overdrafts — unsecured		7,121	738
		<u>1,043,737</u>	<u>897,015</u>
<b>Net Current Assets</b>		<u>325,661</u>	<u>276,436</u>
		<u>647,665</u>	<u>582,546</u>
<b>Capital and Reserves</b>			
Share capital	15	56,736	56,736
Share premium and reserves		468,781	427,063
Equity attributable to equity holders of the Company		<u>525,517</u>	<u>483,799</u>
Minority interests		89,361	79,344
<b>Total Equity</b>		<u>614,878</u>	<u>563,143</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		11,209	11,163
Bank borrowings	14	20,296	5,838
Obligations under finance leases		1,282	2,402
		<u>32,787</u>	<u>19,403</u>
		<u>647,665</u>	<u>582,546</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Property revaluation reserve HK\$'000	Exchange reserve HK\$'000	PRC statutory reserve HK\$'000 (note)	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2007 (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 foreign operations 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 profit for the period	—	—	—	3,520	—	17,561	21,081	3,114	24,195
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(1,380)	(1,380)
Dividend paid	—	—	—	—	—	(12,460)	(12,460)	—	(12,460)
Acquisition of additional interest in a subsidiary from minority shareholder	—	—	—	—	—	—	—	(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
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	5,639	—	—	5,639	1,190	6,829
Profit for the period	—	—	—	—	—	10,024	10,024	359	10,383
Total recognised profit for the period	—	—	—	5,639	—	10,024	15,663	1,549	17,212
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(5,520)	(5,520)
Dividend paid	—	—	—	—	—	(22)	(22)	—	(22)
At 31st December, 2007 (audited)	56,736	318,118	19,566	15,520	3,389	70,470	483,799	79,344	563,143
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	9,925	—	—	9,925	2,055	11,980
Profit for the period	—	—	—	—	—	38,601	38,601	7,962	46,563
Total recognised profit for the period	—	—	—	9,925	—	38,601	48,526	10,017	58,543
Dividend paid	—	—	—	—	—	(6,808)	(6,808)	—	(6,808)
At 30th June, 2008 (unaudited)	<u>56,736</u>	<u>318,118</u>	<u>19,566</u>	<u>25,445</u>	<u>3,389</u>	<u>102,263</u>	<u>525,517</u>	<u>89,361</u>	<u>614,878</u>

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

# GOLIK HOLDINGS LIMITED

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(45,125)</b>	(75,156)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(23,358)	(7,582)
Deposits paid for acquisition of property, plant and equipment	(4,425)	—
(Increase) decrease in pledged bank deposits	(65,330)	4,139
Proceeds from disposal of property, plant and equipment	42	178
Proceeds from disposal of assets classified as held for sale	28,594	—
Proceeds from disposal of investment properties	—	11,500
Others	1,456	876
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(63,021)</b>	9,111
<b>FINANCING ACTIVITIES</b>		
Bank loans raised	172,759	94,257
Repayment of bank loans	(133,555)	(120,992)
Interest paid	(20,381)	(15,729)
Dividend paid to minority shareholders of subsidiaries	—	(1,380)
Dividend paid	(6,808)	(12,460)
Net borrowing of trust receipt loans	91,383	68,364
Repayment of mortgage loans	(1,193)	(1,089)
Others	(1,815)	(1,813)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>100,390</b>	9,158
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,756)</b>	(56,887)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>162,541</b>	142,949
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>2,820</b>	1,303
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>157,605</b>	87,365
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Bank balances and cash	164,726	91,107
Bank overdrafts	(7,121)	(3,742)
	<b>157,605</b>	87,365

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

### 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 adopted 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, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1st January, 2008.

HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations 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, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 4. TURNOVER AND SEGMENT INFORMATION

The turnover and contributions to profit of the Group for the six months ended 30th June, 2008, analysed by business segments are as follows:

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

### For the six months ended 30th June, 2008

	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
<b>TURNOVER</b>							
External sales	691,602	61,127	158,021	798,206	95,216	—	1,804,172
Inter-segment sales	13,259	643	4,282	24,663	—	(42,847)	—
Total turnover	<u>704,861</u>	<u>61,770</u>	<u>162,303</u>	<u>822,869</u>	<u>95,216</u>	<u>(42,847)</u>	<u>1,804,172</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.							
<b>SEGMENT RESULT</b>	<u>45,410</u>	<u>2,022</u>	<u>7,901</u>	<u>18,702</u>	<u>(1,143)</u>	<u>(763)</u>	72,129
Unallocated other income							2,434
Unallocated corporate expenses							(9,232)
Gain on disposal of assets classified as held for sale							6,110
Impairment loss on goodwill	—	—	(200)	—	(1,300)	—	(1,500)
Finance costs							(19,867)
Share of results of jointly controlled entities	—	—	—	—	15	—	15
Share of results of associates	1,968	—	—	—	—	—	<u>1,968</u>
Profit before taxation							52,057
Income taxes							<u>(5,494)</u>
Profit for the period							<u>46,563</u>

# GOLIK HOLDINGS LIMITED

For the six months ended 30th June, 2007

	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
<b>TURNOVER</b>							
External sales	545,924	52,373	154,449	293,834	104,463	—	1,151,043
Inter-segment sales	5,085	14,421	213	31,724	—	(51,443)	—
Total turnover	<u>551,009</u>	<u>66,794</u>	<u>154,662</u>	<u>325,558</u>	<u>104,463</u>	<u>(51,443)</u>	<u>1,151,043</u>

Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.

<b>SEGMENT RESULT</b>	<u>21,047</u>	<u>3,031</u>	<u>11,907</u>	<u>6,905</u>	<u>446</u>	<u>194</u>	43,530
Unallocated other income							2,274
Unallocated corporate expenses							(8,587)
Impairment loss on goodwill	—	—	(100)	—	(800)	—	(900)
Finance costs							(15,483)
Share of results of jointly controlled entities	—	—	—	—	114	—	114
Share of results of associates	667	—	—	—	—	—	667
Profit before taxation							21,615
Income taxes							(1,791)
Profit for the period							<u>19,824</u>

## 5. OTHER GAINS AND LOSSES

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Allowance (write back of) for bad and doubtful debts, net	<b>9,686</b>	(1,997)
Gain on disposal of assets classified as held for sale (Note)	<b>(6,110)</b>	—
Impairment loss on goodwill	<b>1,500</b>	900
	<u><b>5,076</b></u>	<u>(1,097)</u>

Note:

On 25th April, 2007, Golik Concrete Limited, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Group's leasehold land and building (the "Property") located in Hong Kong under the medium term lease. The net proceeds received from disposal of the Property was HK\$28,594,000. The disposal was completed on 24th April, 2008, a gain on disposal of HK\$6,110,000 has been recognised in condensed consolidated income statement for the current period.

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Interest on:		
Bank borrowings and bank overdrafts wholly repayable within five years	19,757	15,252
Finance leases	<b>110</b>	231
	<b>19,867</b>	15,483

## 7. INCOME TAXES

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Current tax:		
Hong Kong	2,591	1,078
Other jurisdictions	<b>2,903</b>	713
	<b>5,494</b>	1,791

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

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

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's PRC subsidiaries from 1st January, 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

## 8. PROFIT FOR THE PERIOD

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	<b>424</b>	596
Depreciation	<b>18,251</b>	17,702
Loss (gain) on disposal of property, plant and equipment	<b>65</b>	(72)
Change in fair value of derivative financial instruments	<b>(1,061)</b>	(3,437)
	<b><u>          </u></b>	<b><u>          </u></b>

## 9. DIVIDEND

On 20th June, 2008, a dividend of 1.2 HK cents per share, amounting to HK\$6,808,000, was paid to shareholders as the final dividend for the year ended 31st December, 2007.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2008.

## 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\$38,601,000 (2007: HK\$17,561,000) and 567,362,500 (2007: 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 values of investment properties or revalued amounts of buildings at 30th June, 2008.

During the period, the Group spent approximately HK\$32.7 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\$0.1 million.

## 12. TRADE AND OTHER RECEIVABLES

Other than the cash sales, the Group allows credit periods ranging from 30 to 90 days to its customers.

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

	<b>30.6.2008</b> <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
0 — 30 days	<b>234,939</b>	262,918
31 — 60 days	<b>181,308</b>	158,038
61 — 90 days	<b>65,993</b>	80,271
91 — 120 days	<b>22,109</b>	42,258
More than 120 days	<b>24,095</b>	32,362
	<b>528,444</b>	575,847

## 13. TRADE AND OTHER PAYABLES

The Group normally receives credit terms of 30 to 90 days from its suppliers.

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

	<b>30.6.2008</b> <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
0 — 30 days	<b>80,002</b>	95,259
31 — 60 days	<b>39,714</b>	17,602
61 — 90 days	<b>30,380</b>	23,275
91 — 120 days	<b>18,238</b>	8,895
More than 120 days	<b>4,140</b>	22,737
	<b>172,474</b>	167,768

## 14. BANK BORROWINGS

During the period, the Group obtained new bank loans of HK\$173 million and repaid bank loans and mortgage loans of HK\$134 million and HK\$1 million respectively, and net borrowings of trust receipt loans of HK\$91 million. The loans bear interest at market rates with an average effective borrowing rates ranging from 1.9% to 3.6% (2007: 2.58% to 3.02%) 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, 2007 and 30th June, 2008	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 31st December, 2007 and 30th June, 2008	<u>567,362,500</u>	<u>56,736</u>

## 16. PLEDGE OF ASSETS

At 30th June, 2008, the Group has pledged the following assets to financial institutions as securities against credit facilities granted to the Group:

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Investment properties	14,660	14,660
Land and buildings and prepaid lease payments	19,611	18,770
Plant and machinery and equipment	10,475	11,302
Bank deposits	<u>72,622</u>	<u>6,846</u>
	<u>117,368</u>	<u>51,578</u>

## 17. CAPITAL COMMITMENTS

	30.6.2008 <i>HK\$'000</i>	31.12.2007 <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	<u>4,009</u>	<u>18,591</u>

## 18. CONTINGENT LIABILITIES

At 30th June, 2008, the Group has provided corporate guarantees to the extent of HK\$5,965,000 (31.12.2007: HK\$5,100,000) 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 sales		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		Six months ended	
	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007	30.6.2008	30.6.2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A jointly controlled entity	—	—	1,734	2,783	—	—	—	—	—	—
Associates	2,630	—	—	—	—	—	—	—	38	21
Minority shareholders of subsidiaries	—	—	—	—	83	76	—	1,089	—	—

### Compensation of key management personnel

During the period, the Group paid remuneration of HK\$5,110,000 (2007: HK\$5,226,000) to the directors, the key management personnel of the Group.



## BUSINESS REVIEW

In the first half year of 2008, the Group achieved a turnover of HK\$1,804,172,000, an increase of 57% over the corresponding period of the previous year. The unaudited profit for the Group during the past six months was HK\$46,563,000, which when compared to the same period last year increased significantly by 135%.

There were also distinct signs of improvements over the previous year for the Group during this term in which both turnover and profit reached a record high. Despite unprecedented pressures in the operating environment for the Group during this period, most of the business units posted satisfactory results through the perseverance and efforts of both the Management team and Staff in overcoming tough market conditions and seizing the right opportunities.

### Steel and Metal Products

#### 1. *Steel Coil Processing*

The Group's "Steel Coil Processing" business operations mainly supply cold-rolled steel coil to export manufacturers of stationary products, household electrical appliances, industrial metal products and so forth along the Pearl River Delta region.

During this term, adverse circumstances such as escalation in overheads, the tightening of policies by the Central Government of the People's Republic of China (the "PRC") against manufacturing industries and also in monetary policies to curb inflation had resulted in difficulties for certain enterprises in raising corporate finance. In addition, the slowdown on demand for consumer goods and industrial products in Western countries had created unprecedented challenges ahead for manufacturing industries along the Pearl River Delta region.

Fronted by these adversities in our business environment, our Management team dispensed a sense of urgency in raising awareness in staff on minimizing operating costs and in particular, the need for effective implementation of risk management. Hence, under the collective efforts of the Management team and Staff, the Group's "Steel Coil Processing" business operations achieved a sound result during this period in which profit had also increased significantly compared to the corresponding period of the previous year.

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

The Group's "Wire" products are mainly supplied for consumption in the domestic PRC markets. During this period, sales and profit sustained steady growth due to strong market demand for "Wire Processing" products.

Despite fierce competition within the "Wire Processing" industry, there is still capacity for growth in the market. The Group's investment in a new galvanized steel wire production line located in Heshan, Guangdong Province has progressed smoothly and production is expected to commence in the fourth quarter of 2008.

### **Construction Materials Products**

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

The Group's "Steel Distribution" business operation mainly supplies deformed steel reinforcement bars for use in both Hong Kong and Macau's construction sectors. Last year, due to policy changes by the PRC's Central Government on export tax rebate of steel products, results were impacted and were poor compared to the previous years. The negative repercussions continued into the first quarter of 2008 but a return of normal profit levels came in the second quarter of 2008. Overall, the performance of the "Steel Distribution" business during the first half year of 2008 was encouraging.

The demand for construction steel materials has declined recently in lieu of falling global property prices. The implications are positive in dampening the volatility of steel prices and prices are expected to remain in decline in the second half year of 2008. The Management team is confident that the full-year profit for 2008 of the "Steel Distribution" business will be completely restored.

#### **2. *Ready Mixed Concrete Products***

The Group's "Concrete" business operations in both Hong Kong and Guangzhou regions achieved successful results during the period especially the profit contribution from the Hong Kong operation which showed significant growth over the corresponding period of the previous year.

Over the past few years, the intense competition in the ready mixed concrete market had in effect led to a considerable amount of consolidation in the industry through elimination of weaker participants. The outcome now is a more stable business environment and performance in the second half year of 2008 is expected to be positive.

## 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, 2008, the total bank balances and cash of the Group reached approximately HK\$237,348,000. As at 30th June, 2008, current ratio (current assets to current liabilities) for the Group was 1.31:1.

As at 30th June, 2008, total borrowings for the Group were approximately HK\$793,908,000.

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, 2008, equity attributable to equity holders of the Company reached approximately HK\$525,517,000.

As at 30th June, 2008, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.91:1.

## EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2008, the total number of staff of the Group was 1,143. 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

Although the Group achieved encouraging results in the first half year of 2008, the current business environment remains challenging with adverse economic factors forecasted to endure over an extended period of time. With the belief that fortune favors those that can withstand the toughest of challenges, the Group is confident that through the collective hard work of all the Management team and Staff, the result for the full-year of 2008 will significantly improve compared to that of last year.

## DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2008, 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 ( <i>Note</i> )	136,744,708	195,646,500	332,391,208	58.59%
Mr. Ho Wai Yu, Sammy	2,000	—	2,000	0.00%
Mr. John Cyril Fletcher	90,000	—	90,000	0.02%
Mr. Robert Keith Davies ( <i>resigned on 30th June, 2008</i> )	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.

#### *Share options*

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

## (2) Shares in subsidiaries

As at 30th June, 2008, Mr. Pang Tak Chung had 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and 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, 2008, 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 and at no time during the period, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDER

As at 30th June, 2008, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO 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, 2008, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **CORPORATE GOVERNANCE**

### **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 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) set out in the CG Code during the six months ended 30th June, 2008. Explanations for such non-compliance are provided and discussed below.

### **Terms of Non-Executive Directors**

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and should be subject to re-election. The non-executive directors of the Company have no set term of office. All directors of the Company shall be subject to retirement by rotation at least once every three years in accordance with the Company’s Bye-laws.

### **Chairman and Chief Executive Officer**

Code provision A.2.1 of 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 segregate the roles of 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 its business efficiently.

## **AUDIT COMMITTEE'S REVIEW**

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 a review of the unaudited consolidated financial statements and the interim report of the Company for the six months ended 30th June, 2008).

## **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"). Specific enquiry has been made by the Company to each director of the Company confirming that they have 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, 2008.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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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, 2008.

## **ACKNOWLEDGEMENT**

The Board would like to take this opportunity to express sincere gratitude to all the Staff within the Group for their tremendous efforts and contributions made; and also to the Group's shareholders, clients, bankers and business partners and associates for their relentless support. With their continuing support and commitment, the Group will deliver a better result in the second half year.

By Order of the Board  
**Pang Tak Chung**  
*Chairman*

Hong Kong, 18th September, 2008