

GOLIK HOLDINGS LIMITED

Stock Code : 1118
Incorporated in Bermuda with limited liability



INTERIM
REPORT
2012

CORPORATE INFORMATION**BOARD OF DIRECTORS****Executive Directors**

Mr. PANG Tak Chung (*Chairman*)
Mr. HO Wai Yu, Sammy (*Vice Chairman*)
Mr. John Cyril FLETCHER

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. HO Wai Yu, Sammy
FCCA CPA MCFI

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Troutman Sanders
W. K. To & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas
CITIC Bank International 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
26/F., Tesbury Centre
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INVESTOR RELATIONS

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WEBSITE

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STOCK CODE

1118

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, 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

		Six months ended 30th June,	
		2012	2011
	<i>NOTES</i>	HK\$'000	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	4	1,576,578	1,300,600
Cost of sales		(1,403,283)	(1,159,301)
Gross profit		173,295	141,299
Other income		9,875	14,497
Interest income		1,082	593
Selling and distribution costs		(39,767)	(32,211)
Administrative expenses		(80,125)	(71,823)
Other gains and losses	5	2,907	7,635
Finance costs	6	(16,021)	(10,609)
Share of results of jointly controlled entities		(112)	(104)
Profit before taxation		51,134	49,277
Income taxes	7	(4,433)	(2,419)
Profit for the period	8	46,701	46,858
Other comprehensive (expense) income			
Exchange difference arising from the translation of foreign operations		(1,468)	5,380
Fair value gain on available-for-sale investment		1,920	–
Other comprehensive income for the period		452	5,380
Total comprehensive income for the period		47,153	52,238

Six months ended 30th June,

	NOTES	2012 HK\$'000 (unaudited)	2011 <i>HK\$'000</i> (unaudited)
Profit for the period attributable to:			
Shareholders of the Company		45,208	43,434
Non-controlling interests		1,493	3,424
		46,701	46,858
Total comprehensive income attributable to:			
Shareholders of the Company		45,871	48,251
Non-controlling interests		1,282	3,987
		47,153	52,238
Earnings per share	10	HK8.05 cents	HK7.73 cents
Basic and diluted			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

	NOTES	30th June, 2012 HK\$'000 (unaudited)	31st December, 2011 HK\$'000 (audited)
Non-current Assets			
Investment property	11	–	3,670
Property, plant and equipment	11	348,021	354,086
Prepaid lease payments		16,844	17,164
Interests in jointly controlled entities		2,683	2,795
Available-for-sale investment	12	14,400	–
Long-term receivables		354	479
Deposits placed at insurance companies		8,813	8,059
Rental and other deposits		952	1,759
Deposits paid for acquisition of property, plant and equipment		8,491	7,492
Amounts due from jointly controlled entities		6,952	6,947
Pledged bank deposits	13	1,501	1,509
		409,011	403,960
Current Assets			
Inventories		529,468	577,377
Trade and other receivables	14	683,500	670,408
Prepaid lease payments		464	455
Income tax recoverable		287	289
Derivative financial instruments		–	91
Pledged bank deposits	13	–	864
Bank balances and cash		288,412	351,051
		1,502,131	1,600,535
Current Liabilities			
Trade and other payables	15	214,730	221,009
Amounts due to non-controlling shareholders		27,436	29,159
Income tax payable		7,728	5,852
Bank borrowings	16	806,827	922,853
Obligations under finance leases		198	472
Obligation arising from a put option to non-controlling shareholders	17	30,935	29,841
Derivative financial instruments	17	10,787	11,091
		1,098,641	1,220,277
Net Current Assets			
		403,490	380,258
		812,501	784,218

	<i>NOTES</i>	30th June, 2012 HK\$'000 (unaudited)	31st December, 2011 HK\$'000 (audited)
Capital and Reserves			
Share capital	18	56,192	56,192
Share premium and reserves		702,261	672,124
		<hr/>	<hr/>
Equity attributable to shareholders of the Company		758,453	728,316
Non-controlling interests		20,373	19,091
		<hr/>	<hr/>
Total Equity		778,826	747,407
		<hr/>	<hr/>
Non-current Liabilities			
Bank borrowings	16	18,109	21,925
Deferred tax liabilities		15,454	14,809
Obligations under finance leases		112	77
		<hr/>	<hr/>
		33,675	36,811
		<hr/>	<hr/>
		812,501	784,218
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Attributable to shareholders of the Company									
	Share capital	Share premium	Exchange reserve	PRC statutory reserve	Investment revaluation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2011	56,192	316,466	26,104	3,949	-	(749)	243,166	645,128	64,134	709,262
Profit for the period	-	-	-	-	-	-	43,434	43,434	3,424	46,858
Other comprehensive income for the period										
Exchange difference arising from the translation of foreign operations	-	-	4,817	-	-	-	-	4,817	563	5,380
Total comprehensive income for the period	-	-	4,817	-	-	-	43,434	48,251	3,987	52,238
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(13,800)	(13,800)
Dividend paid (note 9)	-	-	-	-	-	-	(14,610)	(14,610)	-	(14,610)
At 30th June, 2011 (unaudited)	56,192	316,466	30,921	3,949	-	(749)	271,990	678,769	54,321	733,090
Profit (loss) for the period	-	-	-	-	-	-	57,876	57,876	(4,360)	53,516
Other comprehensive income for the period										
Exchange difference arising from the translation of foreign operations	-	-	6,034	-	-	-	-	6,034	693	6,727
Share of other comprehensive income of a jointly controlled entity	-	-	1,200	-	-	-	-	1,200	-	1,200
Total comprehensive income (expense) for the period	-	-	7,234	-	-	-	57,876	65,110	(3,667)	61,443
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(9,890)	(9,890)
Dividend paid (note 9)	-	-	-	-	-	-	(6,743)	(6,743)	-	(6,743)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	(8,820)	-	(8,820)	8,168	(652)
Obligation arising from a put option (note 17)	-	-	-	-	-	-	-	-	(29,841)	(29,841)
At 31st December, 2011 (audited)	56,192	316,466	38,155	3,949	-	(9,569)	323,123	728,316	19,091	747,407

Attributable to shareholders of the Company

	Share capital	Share premium	Exchange reserve	PRC statutory reserve	Investment revaluation reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	-	-	-	-	-	-	45,208	45,208	1,493	46,701
Other comprehensive income for the period										
Exchange difference arising from the translation of foreign operations	-	-	(1,257)	-	-	-	-	(1,257)	(211)	(1,468)
Fair value gain on available-for-sale investment	-	-	-	-	1,920	-	-	1,920	-	1,920
Total comprehensive (expense) income for the period	-	-	(1,257)	-	1,920	-	45,208	45,871	1,282	47,153
Dividend paid (note 9)	-	-	-	-	-	-	(15,734)	(15,734)	-	(15,734)
At 30th June, 2012 (unaudited)	56,192	316,466	36,898	3,949	1,920	(9,569)	352,597	758,453	20,373	778,826

Notes:

- (a) The 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.
- (b) Other reserve represented:
- (i) adjustments arising from acquisition of additional interest in a subsidiary of HK\$150,000 and deemed disposal of part of its interest in a subsidiary of HK\$599,000.
 - (ii) adjustments arising from acquisition of additional interest in a subsidiary of HK\$8,820,000.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	95,593	(166,829)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,555)	(26,915)
Deposits paid for acquisition of property, plant and equipment	(2,885)	(8,462)
Withdrawal (placement) of pledged bank deposits	867	(1,695)
Proceeds from disposal of property, plant and equipment	2,013	2,841
Receipt of deferred consideration on disposal of a subsidiary	–	16,133
Others	1,141	166
NET CASH USED IN INVESTING ACTIVITIES	(6,419)	(17,932)
FINANCING ACTIVITIES		
(Repayment to) advance from non-controlling shareholders	(1,719)	12,169
Bank loans raised	184,249	168,049
Repayment of bank loans	(182,814)	(122,945)
Interest paid	(14,977)	(10,409)
Dividend paid	(15,734)	(14,610)
Dividend paid to non-controlling interests of a subsidiary	–	(13,800)
Borrowing of trust receipt loans	685,491	765,355
Repayment of trust receipt loans	(805,429)	(691,767)
Repayment of obligations under finance leases	(439)	(752)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(151,372)	91,290
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,198)	(93,471)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	351,051	336,944
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(441)	1,459
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	288,412	244,932
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	288,412	244,932

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

1. GENERAL

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2011. In addition, the Group has applied the following accounting policy for the transfer of the investment property carried at fair value to owner-occupied property during the current interim period:

Property, plant and equipment

An investment property is transferred to property, plant and equipment when it is evidenced by the commencement of the owner-occupation. The fair value, at the date of transfer, which is the deemed cost of the property for subsequent accounting is in accordance with HKAS 16 *Property, plant and equipment*. The property's interest held under an operating lease which was previously classified as investment property under the fair value model is continued to account for as a finance lease after the transfer.

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

In the current interim period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property and concluded that the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. As a result, the Group's investment property that is measured using the fair value model has been presumed to be recovered through use. The amendments to HKAS 12 have been applied retrospectively, the application of the amendments has had no significant impact on the consolidated financial statements of the Group as at 1st January, 2011, 31st December, 2011 and for the six months ended 30th June, 2012 during which the investment property was transferred to property, plant and equipment.

The application of the other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision makers (the Chairman and Vice Chairman of the Group) for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold and are as follows:

1. Metal products
2. Building construction materials
3. Other operations including plastic products and printing materials

Information regarding the above segments is reported below.

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

For the six months ended 30th June, 2012

	Metal products <i>HK\$'000</i>	Building construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	609,172	873,382	94,024	1,576,578	–	1,576,578
Inter-segment sales	7,242	1,184	–	8,426	(8,426)	–
Segment revenue	<u>616,414</u>	<u>874,566</u>	<u>94,024</u>	<u>1,585,004</u>	<u>(8,426)</u>	<u>1,576,578</u>
SEGMENT RESULT	<u>20,206</u>	<u>47,994</u>	<u>(1,949)</u>	<u>66,251</u>	<u>(11)</u>	66,240
Unallocated other income						3,658
Unallocated corporate expenses						(15,644)
Fair value gain on put option derivative						533
Gain on disposal of unlisted equity security investment						12,480
Finance costs						(16,021)
Share of results of jointly controlled entities						<u>(112)</u>
Profit before taxation						<u>51,134</u>

For the six months ended 30th June, 2011

	Metal products <i>HK\$'000</i>	Building construction materials <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	597,584	588,757	114,259	1,300,600	–	1,300,600
Inter-segment sales	<u>7,073</u>	<u>25</u>	<u>–</u>	<u>7,098</u>	<u>(7,098)</u>	<u>–</u>
Segment revenue	<u>604,657</u>	<u>588,782</u>	<u>114,259</u>	<u>1,307,698</u>	<u>(7,098)</u>	<u>1,300,600</u>
SEGMENT RESULT	<u>27,809</u>	<u>41,163</u>	<u>(756)</u>	<u>68,216</u>	<u>23</u>	<u>68,239</u>
Unallocated other income						2,846
Unallocated corporate expenses						(11,095)
Finance costs						(10,609)
Share of results of jointly controlled entities						<u>(104)</u>
Profit before taxation						<u>49,277</u>

Segment result represents the gross profit (loss) generated/suffered from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain bank interest income, corporate expenses, fair value gain on put option derivative, gain on disposal of unlisted equity security investment, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of foreign currency forward contracts derivative	89	487
Fair value gain on put option derivative (<i>note 17</i>)	(533)	–
Gain on disposal of unlisted equity security investment (<i>note 12</i>)	(12,480)	–
Gain on disposal of property, plant and equipment	(1,876)	(2,157)
Net exchange loss (gain)	819	(2,160)
Allowance for (reversal of allowance for) bad and doubtful debts, net	<u>11,074</u>	<u>(3,805)</u>
	<u>(2,907)</u>	<u>(7,635)</u>

6. FINANCE COSTS

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	14,918	10,587
Finance leases	9	22
Imputed interest expenses on obligation arising from a put option to non-controlling shareholders (note 17)	1,094	–
	16,021	10,609

7. INCOME TAXES

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	100	745
PRC	3,159	1,644
	3,259	2,389
Underprovision in prior years:		
Hong Kong	490	–
PRC	38	30
	528	30
Deferred tax:		
Current period	646	–
	4,433	2,419

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

Taxation arising in the PRC is recognised based on the applicable tax rates ranged from 20% to 25% on assessable profit for both periods.

8. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	227	220
Depreciation of property, plant and equipment	17,937	16,744
Write down of (reversal of write down of) inventories (included in cost of sales)	<u>13,933</u>	<u>(3,892)</u>

9. DIVIDEND

During the current interim period, a final dividend of HK2.8 cents per share in respect of the year ended 31st December, 2011 (six months ended 30th June, 2011: HK2.6 cents per share in respect of the year ended 31st December, 2010) was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK\$15,734,000 (six months ended 30th June, 2011: HK\$14,610,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK1.5 cents per share (six months ended 30th June, 2011: HK1.2 cents per share) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 26th September, 2012.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the shareholders of the Company of HK\$45,208,000 (six months ended 30th June, 2011: HK\$43,434,000) and 561,922,500 (six months ended 30th June, 2011: 561,922,500) weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share for the period ended 30th June, 2012 does not assume the exercise of the written put option on shares of a subsidiary as it is anti-dilutive.

No diluted earnings per share was presented as there was no potential ordinary shares outstanding for the six months ended 30th June, 2011.

11. INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group has transferred the investment property carried at fair value to owner-occupied property. Accordingly, the carrying amount of investment property was reduced by HK\$3,670,000 and there is no investment property held by the Group as at 30th June, 2012. The fair value of the Group's investment property at 31st December, 2011 has been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The directors considered that the fair value of such investment property at 31st December, 2011 and at the date of transfer were the same.

As at 30th June, 2011, the fair value of the Group's investment property was determined by the directors with reference to market evidence of recent transaction prices for similar properties. There had been no material change in the fair value of investment property for the six months ended 30th June, 2011.

During the period, the Group spent approximately HK\$9.6 million (six months ended 30th June, 2011: HK\$31 million) on assets under installation, plant and machinery and equipment and leasehold improvements in order to expand its manufacturing capabilities. In addition, the Group disposed of leasehold land and buildings, plant and machinery and equipment and motor vehicles with aggregate carrying amount of approximately HK\$0.1 million (six months ended 30th June, 2011: HK\$0.7 million).

12. AVAILABLE-FOR-SALE INVESTMENT

	30th June, 2012	31st December, 2011
	HK\$'000	HK\$'000
Listed equity security, at fair value		
– in Hong Kong	14,400	–

During the period, the Group disposed of its fully impaired unlisted equity security which had been carried at cost less impairment to a third party at a consideration of HK\$12,480,000 satisfied by listed equity security in Hong Kong. Accordingly, a gain on disposal of HK\$12,480,000 has been recognised in other gains or losses as set out in note 5 during the current interim period.

The fair value of the investment in the listed equity security in Hong Kong is determined by reference to bid price quoted in an active market. As at the initial recognition date, the fair value of the investment is HK\$12,480,000 and subsequently, as at 30th June, 2012, the fair value of the investment is HK\$14,400,000 and a fair value gain on available-for-sale investment of HK\$1,920,000 has been recognised in other comprehensive income and accumulated in investment revaluation reserve.

13. PLEDGE OF ASSETS

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

	30th June, 2012	31st December, 2011
	HK\$'000	HK\$'000
Buildings and prepaid lease payments	18,245	18,803
Plant and machinery and equipment	54,461	57,169
Bank deposits	1,501	2,373
	74,207	78,345

14. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis by invoice date of trade receivables, net of allowance for doubtful debts, at the end of the reporting period:

	30th June, 2012	31st December, 2011
	HK\$'000	HK\$'000
0 – 30 days	318,635	295,429
31 – 60 days	180,543	147,340
61 – 90 days	81,139	82,989
91 – 120 days	31,312	47,691
More than 120 days	21,243	44,280
	<u>632,872</u>	<u>617,729</u>

15. TRADE AND OTHER PAYABLES

The following is an aged analysis by invoice date of trade payables at the end of the reporting period:

	30th June, 2012	31st December, 2011
	HK\$'000	HK\$'000
0 – 30 days	57,287	51,859
31 – 60 days	21,333	21,487
61 – 90 days	11,143	10,817
91 – 120 days	1,878	9,307
More than 120 days	4,089	9,825
	<u>95,730</u>	<u>103,295</u>

Other payables mainly comprise sales deposits received from customers, accrued staff costs and accrued operating expenses.

16. BANK BORROWINGS

During the period, the Group raised bank loans and trust receipt loans of HK\$184 million and HK\$685 million (six months ended 30th June, 2011: HK\$168 million and HK\$765 million) respectively, and repaid bank loans and trust receipt loans of HK\$183 million and HK\$805 million (six months ended 30th June, 2011: HK\$123 million and HK\$692 million) respectively. The bank borrowings at the end of the reporting period bear interest at market rates with an effective borrowing rates ranging from 0.75% to 3.29% (year ended 31st December, 2011: 1.5% to 4.82%) per annum.

17. OBLIGATION ARISING FROM A PUT OPTION TO NON-CONTROLLING SHAREHOLDERS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

At initial recognition, the obligation arising from the Put Option to the Holders represents the present value of the obligation to deliver the share redemption amount at discount rate of 4.5% on 6th September, 2011 amounting to HK\$29,841,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests. An imputed interest expenses on obligation arising from a put option to non-controlling shareholders of HK\$1,094,000 has been recognised in finance costs set out in note 6 during the current interim period.

In addition, the Put Option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary is treated as derivative financial instruments and is recognised at fair value in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*.

As at 30th June, 2012, included in derivative financial instruments is the fair value of the Put Option of HK\$10,558,000 (year ended 31st December, 2011: HK\$11,091,000) which has been determined by using Binominal Option Pricing Model. Accordingly, a fair value gain on put option derivative of HK\$533,000 (six month ended 30th June, 2011: nil) has been recognised in other gains or losses set out in note 5 during the current interim period.

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2011, 30th June, 2011, 31st December, 2011 and 30th June, 2012	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 1st January, 2011, 30th June, 2011, 31st December, 2011 and 30th June, 2012	<u>561,922,500</u>	<u>56,192</u>

19. CAPITAL COMMITMENTS

	30th June, 2012 HK\$'000	31st December, 2011 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– contracted for but not provided in the condensed consolidated financial statements	17,607	20,310
– authorised but not contracted for	129	50
	<u>17,736</u>	<u>20,360</u>

20. MAJOR NON-CASH TRANSACTION

During the period, the Group disposed of its fully impaired unlisted equity security which had been carried at cost less impairment to a third party at a consideration of HK\$12,480,000 satisfied by listed equity security in Hong Kong (see note 12).

21. RELATED PARTY TRANSACTIONS

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

	Trade purchases		Rental charges	
	Six months ended		Six months ended	
	30th June,		30th June,	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A jointly controlled entity	<u>303</u>	<u>392</u>	<u>–</u>	<u>–</u>
Non-controlling interests with significant influence over certain subsidiaries	<u>–</u>	<u>–</u>	<u>–</u>	<u>907</u>

The related parties balances are disclosed in the condensed consolidated statement of financial position.

Compensation of key management personnel

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
Short-term benefits	7,940	7,801
Post-employment benefits	201	189
	<u>8,141</u>	<u>7,990</u>

BUSINESS REVIEW

During the period, the global economy continues to remain weak. Meanwhile, the combination of a lack of effective resolution to date on the European sovereign debt crisis, a sluggish United States economy and creeping measures taken by the PRC Government to tighten credit have stymied China's economic growth as domestic demand begin to taper.

To some extent the Group's businesses were abated by these adverse market conditions, in particular those servicing the export manufacturing industry with metal products business where results were unsatisfactory. However, in this same period our building construction materials business in Hong Kong continued to benefit from the progressive resurgence of the construction industry with sound results precipitating to marginal improvements in our overall Group performance in spite of the generally weak economic environment.

For the six months ended 30th June, 2012, the Group's revenue was HK\$1,576,578,000, representing an increase of 21% against the same period last year. After deduction of non-controlling interests, profit attributable to shareholders of the Company amounted to HK\$45,208,000, an increase of 4% compared to the same period last year.

The Board of Directors has declared an interim dividend of HK1.5 cents per share.

Metal Products

The business comprises mainly of steel coil processing, steel wires, steel wire ropes and other processing and manufacturing of steel wire products. Revenue during the period was HK\$616,414,000, representing an increase of 2% over the same period last year. Profit before interest and taxation was HK\$20,206,000, a decrease of 27% over the same period last year.

Subdued global economic conditions inhibited revenue and profit for our metal products business during the period as results took a step backwards compared to the same period last year. The majority of export manufacturing industries based in the Mainland are operating in tough times amidst rising cost of production and weak export demand that had now continued to persist for a period of time, and for that reason the Group's coil processing continues to face an assortment of challenges.

Notwithstanding rising costs and increased market competition, our wire products that are also primarily supplied to the Mainland domestic market were able to maintain stable results through the steady efforts of its management staff. During the period, the elevator wire rope factory in Tianjin achieved both an increase in production output and sales over the same period last year, though gross margins have languished.

Building Construction Materials

The business comprises mainly of ready-mixed concrete in Hong Kong, distribution of construction steel products and other building construction materials. During the period, revenue was HK\$874,566,000, an increase of 49% over the same period last year. Profit before interest and taxation was HK\$47,994,000, an increase of 17% over the same period last year.

Despite the fact that construction activities of the major infrastructure projects in Hong Kong has yet to reach its peak, the commencement of several of these projects has led to an uptake in demand for building construction materials. Subsequently, revenue and profit for the Group during the period continued to record stable growth.

So as the new government of Hong Kong continues to commit to increasing its level of investment spending in public housing and infrastructure works, the Group is poised to benefit given our thirty five years of prominence in the building construction materials industry. Right now, the Group is undertaking the development of other products in the building construction materials market in addition to our existing steel and ready-mixed concrete products, and we expect greater contributions to the Group from this business in the near future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2012, the total bank balances and cash of the Group amounted to HK\$288,412,000 (31st December, 2011: HK\$351,051,000). As at 30th June, 2012, current ratio (current assets to current liabilities) for the Group was 1.37:1 (31st December, 2011: 1.31:1).

As at 30th June, 2012, the total borrowings of the Group amounted to HK\$825,246,000 (31st December, 2011: HK\$945,327,000).

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 material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 30th June, 2012 was 561,922,500 (31st December, 2011: 561,922,500). As at 30th June, 2012, the equity attributable to the shareholders of the Company amounted to HK\$758,453,000 (31st December, 2011: HK\$728,316,000).

As at 30th June, 2012, net gearing ratio (total borrowings minus total bank balances and cash to total equity) was 0.69:1 (31st December, 2011: 0.80:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2012, the total number of staff of the Group was 1,291. The Group provides 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

Looking ahead, the global economy will remain overwhelmed with uncertainties and weak economic conditions set to continue. In this extensively weak environment that is summed up by the eurozone debt crisis, a slow United States recovery, and tightening measures and structural reforms in the Mainland, the Group will not be insulated from these causes. As a result, our domestic processing and manufacturing operations will continue to face challenges ahead.

In countervailing global economic instability, the Group will be even more compelled to pursue the expansion of our building construction materials business in Hong Kong. The commencement of several major infrastructure projects in Hong Kong and Macau; the recommendation in the new Hong Kong government budget to invest over seventy billion dollars annually over the next few years in infrastructure will be boomed for the Hong Kong construction industry and create many opportunities for the building materials industry. We hope to see the steady development of our building construction materials business in Hong Kong can moderate the pressure on the Group brought on by the global economic downturn. The Group will endeavor to overcome the current challenges and provide stable returns for our shareholders.

DIRECTORS’ INTERESTS IN SECURITIES

As at 30th June, 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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>	151,674,708	195,646,500	347,321,208	61.81%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. John Cyril Fletcher	330,000	–	330,000	0.06%

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, 2012, Mr. Pang Tak Chung had 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and World Producer Limited, a controlled corporation, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 30th June, 2012, 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, 2012, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

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

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 30th June, 2012, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE

The Group is committed to maintenance of good corporate governance practices as set out in the Code on Corporate Governance Practices (the “CG Code”) in Appendix 14 to the Listing Rules. The Company has complied with code provisions as set out in the CG Code throughout the six months ended 30th June, 2012 except the following:

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

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

Code provision A.6.7, Mr. Yu Kwok Kan, Stephen and Mr. Chan Yat Yan, Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 8th June, 2012 as they had another engagement.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' information since the date of 2011 Annual Report of the Company are set out below:

1. With effect from 1st March, 2012, the monthly salary of Mr. Pang Tak Chung, Chairman of the Company, has been increased to HK\$227,000.
2. With effect from 1st March, 2012, the monthly salary of Mr. Ho Wai Yu, Sammy, Vice Chairman of the Company, has been increased to HK\$124,000.
3. Mr. Chan Yat Yan, Independent Non-executive Director of the Company resigned as Group General Manager – Marketing of Hanas New Energy Group Co., Ltd. on 28th February, 2012 and appointed as General Manager of Modern Marketing Ltd. on 1st April, 2012.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the consolidated financial statements of the Group for the six months ended 30th June, 2012. The financial information contained in this interim report is unaudited, the disclosure of which has complied with Appendix 16 to the Listing Rules.

REMUNERATION COMMITTEE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards 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 standards 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, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2012.

ACKNOWLEDGEMENT

I take this opportunity to extend my heartfelt gratitude to all employees and management staff of the Group for their continuing efforts and contributions over the past, also to our shareholders, customers, banks and business associates. With their continuing support, the Group will look ahead to achieve even better results for the remaining half of the year.

By Order of the Board

Pang Tak Chung

Chairman

Hong Kong, 24th August, 2012