



2016 INTERIM REPORT

Stock Code : 1118
Incorporated in Bermuda with limited liability

Towards **40** years

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

Mr. PANG Tak Chung (*Chairman*)
Mr. HO Wai Yu, Sammy (*Vice Chairman*)
Ms. PANG Wan Ping
Mr. LAU Ngai Fai

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 MCM

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 6505, 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
China 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
Level 22, Hopewell Centre
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INVESTOR RELATIONS CONSULTANT

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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, 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	NOTES	Six months ended 30th June,	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	4	981,737	1,372,418
Cost of sales		(790,172)	(1,163,234)
Gross profit		191,565	209,184
Other income		11,449	9,177
Interest income		1,700	1,691
Selling and distribution costs		(43,577)	(47,814)
Administrative expenses		(88,863)	(93,892)
Other gains and losses	5	(4,063)	(2,431)
Finance costs	6	(5,760)	(10,107)
Share of result of a joint venture		154	105
Share of result of an associate		(2,050)	(11)
Profit before taxation		60,555	65,902
Income taxes	7	(12,596)	(8,491)
Profit for the period	8	47,959	57,411

Six months ended 30th June,

NOTES

2016

2015

HK\$'000

HK\$'000

(unaudited)

(unaudited)

Other comprehensive (expense) income:

Items that may be subsequently reclassified to profit or loss:

– Exchange difference arising on translation of foreign operations	(7,709)	495
– Fair value (loss) gain on available-for-sale investment	(425)	8,730
– Gain on revaluation of property, plant and equipment upon transfer to investment properties	–	915

Other comprehensive (expense) income for the period

(8,134)

10,140

Total comprehensive income for the period

39,825

67,551

Profit for the period attributable to:

Shareholders of the Company	42,069	52,198
Non-controlling interests	5,890	5,213

47,959

57,411

Total comprehensive income for the period attributable to:

Shareholders of the Company	35,459	62,311
Non-controlling interests	4,366	5,240

39,825

67,551

Earnings per share
Basic and diluted

10

HK7.49 cents

HK9.29 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2016

	NOTES	30th June, 2016 HK\$'000 (unaudited)	31st December, 2015 HK\$'000 (audited)
Non-current Assets			
Investment properties	11	4,020	4,020
Property, plant and equipment	11	392,903	401,989
Prepaid lease payments		14,073	14,555
Interest in a joint venture		3,487	3,333
Amount due from a joint venture		5,068	5,068
Interest in an associate		–	2,050
Amount due from an associate		14,000	14,000
Available-for-sale investment		2,329	2,754
Deposits placed at insurance companies		11,141	10,707
Rental and other deposits		2,736	3,365
Deposits paid for acquisition of property, plant and equipment		26,851	11,554
		<hr/>	<hr/>
		476,608	473,395
		<hr/>	<hr/>
Current Assets			
Inventories		279,682	232,614
Trade and other receivables	12	532,440	512,981
Prepaid lease payments		460	468
Income tax recoverable		1,661	1,149
Time deposits with maturity over three months		–	100,000
Bank balances and cash		428,622	381,064
		<hr/>	<hr/>
		1,242,865	1,228,276
		<hr/>	<hr/>

		30th June,	31st December,
	<i>NOTES</i>	2016	2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Current Liabilities			
Trade and other payables	13	208,661	230,112
Dividend payable		19,667	–
Amounts due to non-controlling shareholders		13,926	14,004
Amount due to an associate		7	–
Income tax payable		12,795	12,910
Bank borrowings	14	316,110	306,830
Obligations under finance leases		845	896
Obligation arising from a put option to non-controlling shareholders	15	31,050	31,050
Derivative financial instruments	15	12,977	12,660
		616,038	608,462
Net Current Assets		626,827	619,814
		1,103,435	1,093,209
Capital and Reserves			
Share capital	16	56,192	56,192
Share premium and reserves		957,538	941,746
Equity attributable to shareholders of the Company		1,013,730	997,938
Non-controlling interests		34,689	33,809
Total Equity		1,048,419	1,031,747
Non-current Liabilities			
Bank borrowings	14	33,919	40,389
Deferred tax liabilities		19,705	19,465
Obligations under finance leases		1,392	1,608
		55,016	61,462
		1,103,435	1,093,209

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	Attributable to shareholders of the Company										
	Share capital	Share premium	Exchange reserve	PRC statutory reserve	Asset revaluation 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	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2015 (audited)	56,192	316,466	47,136	3,949	-	-	(8,948)	533,727	948,522	41,097	989,619
Profit for the period	-	-	-	-	-	-	-	52,198	52,198	5,213	57,411
Other comprehensive income for the period											
Exchange difference arising on translation of foreign operations	-	-	468	-	-	-	-	-	468	27	495
Fair value gain on available-for-sale investment	-	-	-	-	-	8,730	-	-	8,730	-	8,730
Gain on revaluation of property, plant and equipment upon transfer to investment properties	-	-	-	-	915	-	-	-	915	-	915
Total comprehensive income for the period	-	-	468	-	915	8,730	-	52,198	62,311	5,240	67,551
Dividend payable (note 9)	-	-	-	-	-	-	-	(19,667)	(19,667)	-	(19,667)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,991)	(2,991)
Transfer between reserves	-	-	-	7,017	-	-	-	(7,017)	-	-	-
At 30th June, 2015 (unaudited)	56,192	316,466	47,604	10,966	915	8,730	(8,948)	559,241	991,166	43,346	1,034,512
Profit for the period	-	-	-	-	-	-	-	40,542	40,542	3,495	44,037
Other comprehensive income (expense) for the period											
Exchange difference arising on translation of foreign operations	-	-	(17,135)	-	-	-	-	-	(17,135)	(4,382)	(21,517)
Deregistration of a subsidiary	-	-	(2,060)	-	-	-	-	-	(2,060)	-	(2,060)
Fair value loss on available-for-sale investment	-	-	-	-	-	(5,976)	-	-	(5,976)	-	(5,976)
Fair value loss on investment properties	-	-	-	-	(170)	-	-	-	(170)	-	(170)
Total comprehensive income for the period	-	-	(19,195)	-	(170)	(5,976)	-	40,542	15,201	(887)	14,314

Attributable to shareholders of the Company

	Attributable to shareholders of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Exchange reserve	PRC statutory reserve	Asset revaluation reserve	Investment revaluation reserve	Other reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	
Dividend paid (note 9)	-	-	-	-	-	-	-	(8,429)	(8,429)	-	(8,429)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	(8,650)	(8,650)
Transfer between reserves	-	-	-	337	-	-	-	(337)	-	-	-
At 31st December, 2015 (audited)	56,192	316,466	28,409	11,303	745	2,754	(8,948)	591,017	997,938	33,809	1,031,747
Profit for the period	-	-	-	-	-	-	-	42,069	42,069	5,890	47,959
Other comprehensive expense for the period											
Exchange difference arising on translation of foreign operations	-	-	(6,185)	-	-	-	-	-	(6,185)	(1,524)	(7,709)
Fair value loss on available-for-sale investment	-	-	-	-	-	(425)	-	-	(425)	-	(425)
Total comprehensive income (expense) for the period	-	-	(6,185)	-	-	(425)	-	42,069	35,459	4,366	39,825
Dividend payable (note 9)	-	-	-	-	-	-	-	(19,667)	(19,667)	-	(19,667)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(3,486)	(3,486)
Transfer between reserves	-	-	-	1,097	-	-	-	(1,097)	-	-	-
At 30th June, 2016 (unaudited)	56,192	316,466	22,224	12,400	745	2,329	(8,948)	612,322	1,013,730	34,689	1,048,419

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.
 - (iii) deemed contribution arising from waiver of amount due to a former non-controlling shareholder of HK\$621,000 incidental to acquisition of additional interest in a subsidiary during the year ended 31st December, 2011, as set out in note (b)(ii) to the condensed consolidated statement of changes in equity.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	Six months ended 30th June,	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(18,819)	171,867
INVESTING ACTIVITIES		
Capital contribution to an associate	–	(3,500)
Repayment from a joint venture	–	346
Advance to an associate	–	(7,330)
Deposits paid for acquisition of property, plant and equipment	(20,420)	(3,815)
Purchase of property, plant and equipment	(9,106)	(4,921)
Proceeds from disposal of property, plant and equipment	365	154
Withdrawal of time deposits with maturity over three months	100,000	–
Others	1,662	1,045
NET CASH FROM (USED IN) INVESTING ACTIVITIES	72,501	(18,021)
FINANCING ACTIVITIES		
Trust receipt loans raised	269,152	564,726
Bank loans raised	117,219	182,438
Repayment of trust receipt loans	(264,731)	(889,765)
Repayment of bank loans	(115,747)	(240,309)
Repayment to non-controlling shareholders	(78)	(3,471)
Dividend paid to non-controlling interests of a subsidiary	(3,486)	(2,991)
Interest paid	(5,336)	(10,225)
Repayment of obligations under finance leases	(516)	(397)
NET CASH USED IN FINANCING ACTIVITIES	(3,523)	(399,994)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	50,159	(246,148)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	381,064	527,928
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,601)	47
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	428,622	281,827
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	428,622	281,827

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

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 with 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 properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31st December, 2015.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the above amendments to HKFRSs in the current 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

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

Information reported to the Chairman and the Vice Chairman of the Group, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Metal products
2. Building construction materials

In addition, the Group's operations relating to plastic products and printing materials are aggregated and presented as other operations.

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

For the six months ended 30th June, 2016

	Metal products <i>HK\$'000</i>	Building construction materials <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	416,801	519,955	936,756	44,981	-	981,737
Inter-segment sales	4,647	-	4,647	-	(4,647)	-
	<u>421,448</u>	<u>519,955</u>	<u>941,403</u>	<u>44,981</u>	<u>(4,647)</u>	<u>981,737</u>
Total	<u>421,448</u>	<u>519,955</u>	<u>941,403</u>	<u>44,981</u>	<u>(4,647)</u>	<u>981,737</u>
SEGMENT RESULT						
	<u>44,992</u>	<u>35,181</u>	<u>80,173</u>	<u>(2,939)</u>	<u>54</u>	<u>77,288</u>
Unallocated other income						2,351
Unallocated corporate expenses						(11,111)
Fair value loss on put option derivative						(317)
Finance costs						(5,760)
Share of result of a joint venture						154
Share of result of an associate						(2,050)
Profit before taxation						<u>60,555</u>

For the six months ended 30th June, 2015

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	529,530	798,280	1,327,810	44,608	-	1,372,418
Inter-segment sales	5,825	70	5,895	-	(5,895)	-
Total	<u>535,355</u>	<u>798,350</u>	<u>1,333,705</u>	<u>44,608</u>	<u>(5,895)</u>	<u>1,372,418</u>
SEGMENT RESULT	<u>41,545</u>	<u>46,700</u>	<u>88,245</u>	<u>(3,547)</u>	<u>(10)</u>	<u>84,688</u>
Unallocated other income						3,227
Unallocated corporate expenses						(12,295)
Fair value gain on put option derivative						295
Finance costs						(10,107)
Share of result of a joint venture						105
Share of result of an associate						(11)
Profit before taxation						<u>65,902</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. 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 other income, corporate expenses, fair value (loss) gain on put option derivative, finance costs and share of results of a joint venture/an associate. 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,	
	2016	2015
	HK\$'000	HK\$'000
Change in fair value of foreign currency forward contracts derivative	-	(12)
Fair value loss (gain) on put option derivative (note 15)	317	(295)
Gain on disposal of property, plant and equipment	(269)	(124)
Net exchange loss	2,919	56
Allowance for bad and doubtful debts, net	1,096	2,806
	<u>4,063</u>	<u>2,431</u>

6. FINANCE COSTS

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	5,710	10,053
Finance leases	50	54
	<u>5,760</u>	<u>10,107</u>

7. INCOME TAXES

	Six months ended 30th June,	
	2016	2015
	HK\$'000	HK\$'000
The charge comprises:		
Current period		
Hong Kong	4,356	1,571
Other regions in the PRC	6,789	5,662
	<u>11,145</u>	<u>7,233</u>
Underprovision in prior years		
Hong Kong	103	–
Other regions in the PRC	1,108	319
	<u>1,211</u>	<u>319</u>
Deferred tax	240	939
	<u>12,596</u>	<u>8,491</u>

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. In addition, a PRC subsidiary of the Company was qualified as "High-tech Enterprise" in Tianjin. Accordingly, the PRC subsidiary was subject to an Enterprise Income Tax rate of 15% for three years starting from 2013.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1st January, 2008 at the rate of 5%. As at 30th June, 2016 and 2015, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

12. TRADE AND OTHER RECEIVABLES

	30th June, 2016	31st December, 2015
	HK\$'000	HK\$'000
Trade receivables, net	482,611	470,610
Prepayments, deposits and other receivables	49,829	42,371
	532,440	512,981

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

Trade receivables, net of allowance for doubtful debts, with an aged analysis presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates as follows:

	30th June, 2016	31st December, 2015
	HK\$'000	HK\$'000
0 – 30 days	229,146	209,956
31 – 60 days	125,306	125,451
61 – 90 days	63,546	60,450
91 – 120 days	25,844	29,348
More than 120 days	38,769	45,405
	482,611	470,610

13. TRADE AND OTHER PAYABLES

	30th June, 2016	31st December, 2015
	HK\$'000	HK\$'000
Trade payables	105,836	121,536
Accruals, deposits received and other payables	102,825	108,576
	208,661	230,112

Trade payables with an aged analysis presented based on the invoice date at the end of the reporting period as follows:

	30th June, 2016	31st December, 2015
	HK\$'000	HK\$'000
0 – 30 days	75,595	72,957
31 – 60 days	9,240	25,205
61 – 90 days	5,534	4,931
91 – 120 days	9,437	12,895
More than 120 days	6,030	5,548
	105,836	121,536

14. BANK BORROWINGS

During the current period, the Group raised bank loans and trust receipt loans of HK\$117,219,000 and HK\$269,152,000 (six months ended 30th June, 2015: HK\$182,438,000 and HK\$564,726,000) respectively, and repaid bank loans and trust receipt loans of HK\$115,747,000 and HK\$264,731,000 (six months ended 30th June, 2015: HK\$240,309,000 and HK\$889,765,000) respectively. All new bank borrowings raised during the current period are unsecured with corporate guarantee from group companies. The bank borrowings at the end of the reporting period bear interest at market rates with effective borrowing rates ranging from 1.27% to 5.66% (year ended 31st December, 2015: 1.33% to 6.00%) per annum.

15. 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 condensed consolidated statement of financial position with a corresponding debit to the non-controlling interests.

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, 2016, the fair value of the Put Option of HK\$12,977,000 (year ended 31st December, 2015: HK\$12,660,000) which is determined by using Binominal Option Pricing Model, has been recognised in the condensed consolidated statement of financial position. Accordingly, a fair value loss of HK\$317,000 (six months ended 30th June, 2015: fair value gain of HK\$295,000) has been recognised in other gains and losses set out in note 5 during the current period.

16. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2015, 30th June, 2015, 31st December, 2015 and 30th June, 2016	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:		
At 1st January, 2015, 30th June, 2015, 31st December, 2015 and 30th June, 2016	<u>561,922,500</u>	<u>56,192</u>

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30th June, 2016	31st December, 2015				
Obligation arising from a put option to non-controlling shareholders in the condensed consolidated statement of financial position	Liability – HK\$31,050,000	Liability – HK\$31,050,000	Level 2	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.	N/A	N/A
Put option derivative classified as derivative financial instruments in the condensed consolidated statement of financial position	Liability – HK\$12,977,000	Liability – HK\$12,660,000	Level 3	Binomial Option Pricing Model The key inputs are equity value of Fulwealth, exercise price, risk-free rate, exercise period, dividend yield, and volatility of the shares of Fulwealth.	Equity value of Fulwealth is derived by income approach, HK\$3.8794 per share. The key inputs are unaudited consolidated net asset value and cash flow forecast of Fulwealth and expected return from the investors of 17.37% per annum developed using Capital Asset Pricing Model. Volatility is based on the average of the implied volatility of the comparable stocks, of 35.41%.	A slight increase in the unaudited consolidated net asset value would result in a slight decrease in the fair value, and vice versa. A slight increase in the forecasted profit would result in a slight decrease in the fair value, and vice versa. A slight increase in the expected return from the investors would result in a slight increase in the fair value, and vice versa. A slight increase in the volatility would result in a slight increase in the fair value, and vice versa.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Put option derivative	
	30th June,	31st December,
	2016	2015
	HK\$'000	HK\$'000
At beginning of the period	12,660	12,670
Total loss (gain) in profit or loss	317	(10)
	<u>12,977</u>	<u>12,660</u>
At end of the period	12,977	12,660

The amount of loss (gain) is included in other gains and losses set out in note 5.

18. CAPITAL COMMITMENTS

	30th June,	31st December,
	2016	2015
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	73,447	17,172

19. PLEDGE OF ASSETS

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

	30th June,	31st December,
	2016	2015
	HK\$'000	HK\$'000
Construction in progress	81,084	81,084

20. RELATED PARTY TRANSACTIONS

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

	Trade purchases		Trade sales		Interest income	
	Six months ended		Six months ended		Six months ended	
	30th June,		30th June,		30th June,	
	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A joint venture	–	216	–	–	–	–
An associate	16	–	61	–	210	–

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,	
	2016	2015
	HK\$'000	HK\$'000
Short-term employee benefits	10,502	9,055
Post-employment benefits	213	138
	10,715	9,193

BUSINESS REVIEW

Metal products and building construction materials represent the two major core businesses during the period under review.

For the six months ended 30th June, 2016, the Group's total revenue was HK\$981,737,000, representing a decrease of 28% against the same period last year. After deduction of non-controlling interests, profit attributable to shareholders of the Company amounted to HK\$42,069,000, a decrease of 19% compared to the same period last year.

During the period, the global economy has yet to take a marked favorable turn amid sustained weakness in market demand. As such, the Group's businesses were confronted with challenges to varying degrees, in particular a significant decline in terms of volume and price of our construction steel products distribution business as compared with the same period last year, and correspondingly a notable drop in the Group's revenue as compared with the same period last year. Fortunately, the Group's other principal lines of business, leaving aside construction steel products, managed to maintain a steady performance with improved gross profit margins in general.

The Board of Directors (the "Board") has declared an interim dividend of HK1.5 cents per share.

Metal Products

Metal products line of business comprises mainly of steel coil processing, steel wires and steel wire rope products in the Mainland. Revenue for the period was HK\$421,448,000, representing a decrease of 21% over the same period last year. Profit before interest and taxation was HK\$44,992,000, an increase of 8% over the same period last year.

In light of a continued economic slowdown and weak market conditions along with rapid development over the past years and excessive investment in some industries, the manufacturing sector in the Mainland has been caught in a widespread overcapacity that calls for an adjustment, which may suggest the inevitable cruel process of elimination in the survival of the fittest. In this regard, the Group's metal products in Mainland had progressively transitioned towards the high-end of the spectrum in recent years, effectively alleviating competition pressure coming from the low-end market. As a result, we are able to sustain and enhance the gross profit margins of our steel wire rope products particularly under this fierce competitive environment.

Our aspiration to develop high-end steel wire rope products that aims to replace imported products has always been one of the Group's major development goals. In June this year, the Group entered into an agreement with a subsidiary of Tianjin Metallurgy Group (TMG), where their plant and equipment for advanced steel wires and steel wire ropes were merged with our elevator wire ropes operation of which itself is an existing

joint venture between the Group and TMG. The new unified entity is to transform and strengthen the current product quality and capability of the advanced steel wires and steel wire ropes operation through the exchange of our successful operating experience in managing the elevator wire rope factory. The Group intends to recruit industry experts from Europe to embark on the reform after the takeover – anticipating in two to three years time the Group's wire rope products will assume a leadership position in the Mainland in terms of application not only in elevators, but also in industries such as mining, ports, marine and so forth.

Building Construction Materials

Building construction materials line of business comprises mainly of ready mixed concrete, distribution and processing of construction steel products and other building construction materials. During the period, revenue was HK\$519,955,000, a decrease of 35% over the same period last year. Profit before interest and taxation was HK\$35,181,000, a decrease of 25% over the same period last year.

Approval for public projects fund appropriation by the Legislative Council of Hong Kong has been critically delayed for political causes for two consecutive years, resulting in shrinkage in the number of public projects launched by the Government and plunging the local construction industry into difficulties. The Group's building construction materials business was inevitably affected to some extent. In addition, owing to volatile commodity prices, the Group inclined to be more conservative in the construction steel products distribution business as it is often characterized with high risks and low effectiveness. During the period, revenue and profit of our building construction materials business both recorded relatively significant declines as compared with the same period last year.

The progressive transformation of our building construction materials business away from the simple rebar import and distribution model to one with increased breadth in valued-added activities has resulted in the Group forming an associate with Hongkong United Dockyards Limited and Tin Wo Steel Cutting and Bending Company Limited last year specifically for rebar processing, and a further investment towards a new plant with an area of 35,000 square feet at Tai Po Industrial Estate that will be equipped with the latest best-in-class equipment to boost its present rebar processing capability. The new facilities is expected to be fully operational by the third quarter of 2017.

Our ready mixed concrete business performed steadily during the period as the new ready mixed concrete batching plants at Mui Wo, Lantau Island and Yau Tong, Kowloon were in sound and smooth operation. Owing to the fact that Hong Kong is lacking the land for construction of ready mixed concrete batching plants, the Group's five ready mixed concrete production lines in operation are expected to become a stable contributor to our revenue in the years ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2016, the bank balances and cash of the Group amounted to HK\$428,622,000 (31st December, 2015: HK\$381,064,000). As at 30th June, 2016, the current ratio (current assets to current liabilities) of the Group was 2.02:1 (31st December, 2015: 2.02:1).

As at 30th June, 2016, the total borrowings of the Group amounted to HK\$352,266,000 (31st December, 2015: HK\$349,723,000).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As Hong Kong dollars is pegged to United States dollars, the Group believes its exposure to exchange risk is limited. 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, 2016 was 561,922,500 (31st December, 2015: 561,922,500). As at 30th June, 2016, the equity attributable to the shareholders of the Company amounted to HK\$1,013,730,000 (31st December, 2015: HK\$997,938,000).

As at 30th June, 2016, net gearing ratio (total borrowings minus bank balances and cash to total equity) was -0.07:1 (31st December, 2015: -0.03:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2016, the total number of staff of the Group was 1,280. Remuneration is determined with reference to the performance, qualifications and experience of the employees concerned and the prevailing industry practice. The Group provides Mandatory Provident Fund entitlement to Hong Kong's employees. Moreover, share options may be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 5th June, 2014.

PROSPECT

Against the backdrop of a macro environment rife with challenges in future for some prolonged times, the Group remains optimistic that its two core businesses have secured solid market position and will stay stable and steady with a promising prospect.

The Group has been striving for industry structure adjustment and advancement towards high-end manufacturing in recent years, with an aim to secure a leading market position for our building construction materials business and wire rope products. Needless to say,

it is a long road beset with difficulties and tremendous time and efforts are to be made. In spite of the up-front input in the development stage of products and markets that may dampen our short-term profitability, we are confident that, after endeavoring for two to three years, the Group's business would scale new heights and create higher values for shareholders.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2016, 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			Percentage of issued shares
	Personal interests (held as beneficial owner)	Corporate interests (held by controlled corporation)	Total	
Mr. Pang Tak Chung <i>(Note)</i>	157,524,708	195,646,500	353,171,208	62.85%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Lau Ngai Fai	100,000	–	100,000	0.02%

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

Share options

The share option scheme was adopted by the Company at the annual general meeting on 5th June, 2014. It will be valid for 10 years until 4th June, 2024. During the period, no share option had been granted under the said share option scheme.

(2) Shares in subsidiaries

As at 30th June, 2016, 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.

GOLIK

Save as disclosed above, as at 30th June, 2016, none of the directors and chief executive 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, 2016, 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, 2016, 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 the 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, 2016 except the followings:

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.5.6, the Company does not have a policy concerning diversity of board members for the time being. In designing the Board's composition, the Company will consider from all aspects, all directors' appointment will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors' information since the date of 2015 Annual Report of the Company are set out below:

- (A) With effect from 1st March, 2016,
1. the monthly salary of Mr. Pang Tak Chung, Chairman of the Company, has been increased by HK\$20,000.
 2. the monthly salary of Mr. Ho Wai Yu, Sammy, Vice Chairman of the Company, has been increased by HK\$20,000.
 3. the monthly salary of Ms. Pang Wan Ping, Executive Director of the Company, has been increased by HK\$5,000.
 4. the monthly salary of Mr. Lau Ngai Fai, Executive Director of the Company, has been increased by HK\$10,000.
- (B) With effect from 1st July, 2016, Stephen K K Yu & Co Pty Ltd has been merged with VL Tax & Accounting Pty Ltd in Australia. Mr. Yu Kwok Kan, Stephen, Independent Non-Executive Director of the Company, has served as a senior consultant to VL Tax & Accounting Pty Ltd since then.

AUDIT COMMITTEE

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

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The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2016. 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 CG Code. 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, 2016.

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, 2016.

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, 25th August, 2016