

GOLIK
HOLDINGS LIMITED

2021

INTERIM REPORT

Incorporated in Bermuda
with limited liability
Stock Code: 1118



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

Mr. PANG Tak Chung MH (*Chairman*)
Mr. HO Wai Yu, Sammy (*Vice Chairman*)
Ms. PANG Wan Ping
Mr. PANG Chi To
(appointment effective 1st August, 2021)
Mr. LAU Ngai Fai
(resignation effective 1st July, 2021)

Independent Non-executive Directors

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

COMPANY SECRETARY

Mr. HO Wai Yu, Sammy
FCCA CPA MHKCS MHKSI

AUDIT COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

REMUNERATION COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. HAI Tuen Tai, Freddie
(appointment effective 16th June, 2021)
Mr. LO Yip Tong
(resignation effective 27th March, 2021)

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
Registered Public Interest Entity Auditors

LEGAL ADVISORS

Lau, Horton & Wise LLP
W. K. To & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 54, Hopewell Centre
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WEBSITE

www.golik.com

STOCK CODE

1118

INVESTOR RELATION

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INTERIM RESULTS

The board of directors (the “Board”) 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, 2021 together with the comparative unaudited figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	NOTES	Six months ended 30th June,	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	1,972,376	1,258,920
Cost of sales		(1,680,290)	(1,052,898)
Gross profit		292,086	206,022
Other income		22,738	9,844
Interest income		1,049	1,351
Selling and distribution costs		(68,601)	(57,099)
Administrative expenses		(93,299)	(80,203)
(Impairment losses) reversal of impairment losses under expected credit loss (“ECL”) model, net		(9,106)	666
Other gains and losses	5	233	(1,096)
Other expenses		(30,848)	(22,186)
Finance costs		(13,365)	(17,202)
– Interest on bank borrowings		(7,649)	(11,276)
– Interest on lease liabilities		(5,716)	(5,926)
Share of result of a joint venture		(137)	(55)
Share of result of an associate		(364)	208
Profit before taxation		100,386	40,250
Income taxes	6	(8,524)	(7,583)
Profit for the period	7	91,862	32,667

Six months ended 30th June,

NOTE	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
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Other comprehensive income (expense):

Items that may be subsequently reclassified to profit or loss:

– Exchange difference arising on translation of foreign operations	6,886	(9,251)
– Release from exchange reserve upon deregistration of a subsidiary	–	531
– Release from Mainland China statutory reserve upon deregistration of a subsidiary	–	(43)

Item that will not be reclassified to profit or loss:

– Fair value loss on an equity instrument at fair value through other comprehensive income (“FVTOCI”)	<u>(530)</u>	<u>(1,576)</u>
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Other comprehensive income (expense) for the period

<u>6,356</u>	<u>(10,339)</u>
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Total comprehensive income for the period

<u>98,218</u>	<u>22,328</u>
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Profit for the period attributable to:

Shareholders of the Company	78,286	22,338
Non-controlling interests	<u>13,576</u>	<u>10,329</u>
	<u>91,862</u>	<u>32,667</u>

Total comprehensive income for the period attributable to:

Shareholders of the Company	83,325	13,745
Non-controlling interests	<u>14,893</u>	<u>8,583</u>
	<u>98,218</u>	<u>22,328</u>

Basic earnings per share

9	<u>HK13.63 cents</u>	<u>HK3.89 cents</u>
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2021

	NOTES	30th June, 2021 HK\$'000 (unaudited)	31st December, 2020 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	11	497,728	491,170
Right-of-use assets		239,442	262,785
Interest in a joint venture		5,347	5,484
Interest in an associate		–	–
Amount due from an associate		–	364
Equity instrument at FVTOCI		3,188	3,718
Insurance policy assets		13,747	13,294
Rental and other deposits	12	7,386	12,036
Deposits paid for acquisition of property, plant and equipment		1,354	4,921
Loan receivables	12	2,067	2,485
		770,259	796,257
Current Assets			
Inventories		735,254	444,521
Trade, bills, loan and other receivables	12	840,584	764,196
Income tax recoverable		343	467
Bank deposits with original maturity over three months		–	2,376
Bank balances and cash		527,185	403,092
		2,103,366	1,614,652
Assets classified as held for sale		35,323	35,097
		2,138,689	1,649,749

	NOTES	30th June, 2021 HK\$'000 (unaudited)	31st December, 2020 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	13	384,424	331,058
Contract liabilities		30,382	24,510
Lease liabilities		40,109	47,299
Dividend payable	8	20,103	–
Amounts due to non-controlling shareholders		3,200	3,200
Income tax payable		8,001	8,054
Bank borrowings	14	1,019,677	691,766
		<u>1,505,896</u>	<u>1,105,887</u>
Net Current Assets			
		<u>632,793</u>	<u>543,862</u>
		<u>1,403,052</u>	<u>1,340,119</u>
Capital and Reserves			
Share capital	15	57,438	57,438
Share premium and reserves		1,022,671	959,449
		<u>1,080,109</u>	<u>1,016,887</u>
Equity attributable to shareholders of the Company		1,080,109	1,016,887
Non-controlling interests		100,618	88,545
		<u>1,180,727</u>	<u>1,105,432</u>
Total Equity			
		<u>1,180,727</u>	<u>1,105,432</u>
Non-current Liabilities			
Deferred tax liabilities		22,300	20,880
Lease liabilities		200,025	213,807
		<u>222,325</u>	<u>234,687</u>
		<u>1,403,052</u>	<u>1,340,119</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Attributable to shareholders of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Mainland China statutory reserve HK\$'000 (Note a)	Asset revaluation reserve HK\$'000	FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note b)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st January, 2020 (audited)	57,438	323,195	4,110	33,005	635	4,321	(21,186)	506,917	908,435	61,152	969,587
Profit for the period	-	-	-	-	-	-	-	22,338	22,338	10,329	32,667
Other comprehensive (expense) income for the period											
Exchange difference arising on translation of foreign operations	-	-	(7,505)	-	-	-	-	-	(7,505)	(1,746)	(9,251)
Deregistration of a subsidiary	-	-	531	(43)	-	-	-	-	488	-	488
Fair value loss on an equity instrument at FVTOCI	-	-	-	-	-	(1,576)	-	-	(1,576)	-	(1,576)
Total comprehensive (expense) income for the period	-	-	(6,974)	(43)	-	(1,576)	-	22,338	13,745	8,583	22,328
Formation of a new subsidiary	-	-	25	-	-	-	-	-	25	-	25
Dividend declared (note 8)	-	-	-	-	-	-	-	(11,488)	(11,488)	-	(11,488)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,609)	(2,609)
Disposal of investment properties	-	-	-	-	(635)	-	-	635	-	-	-
Transfer between reserves	-	-	-	1,166	-	-	-	(1,166)	-	-	-
At 30th June, 2020 (unaudited)	57,438	323,195	(2,839)	34,128	-	2,745	(21,186)	517,236	910,717	67,126	977,843
Profit for the period	-	-	-	-	-	-	-	71,207	71,207	13,771	84,978
Other comprehensive income for the period											
Exchange difference arising on translation of foreign operations	-	-	34,015	-	-	-	-	-	34,015	7,648	41,663
Fair value gain on an equity instrument at FVTOCI	-	-	-	-	-	973	-	-	973	-	973
Total comprehensive income for the period	-	-	34,015	-	-	973	-	71,207	106,195	21,419	127,614

Attributable to shareholders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Mainland China statutory reserve HK\$'000 (Note a)	Asset revaluation reserve HK\$'000	FVTOCI reserve HK\$'000	Other reserve HK\$'000 (Note b)	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Formation of a new subsidiary	-	-	(25)	-	-	-	-	-	(25)	-	(25)
Transfer between reserves	-	-	-	4,622	-	-	-	(4,622)	-	-	-
At 31st December, 2020 (audited)	57,438	323,195	31,151	38,750	-	3,718	(21,186)	583,821	1,016,887	88,545	1,105,432
Profit for the period	-	-	-	-	-	-	-	78,286	78,286	13,576	91,862
Other comprehensive income (expense) for the period											
Exchange difference arising on translation of foreign operations	-	-	5,569	-	-	-	-	-	5,569	1,317	6,886
Fair value loss on an equity instrument at FVTOCI	-	-	-	-	-	(530)	-	-	(530)	-	(530)
Total comprehensive income (expense) for the period	-	-	5,569	-	-	(530)	-	78,286	83,325	14,893	98,218
Dividend declared (note 8)	-	-	-	-	-	-	-	(20,103)	(20,103)	-	(20,103)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,820)	(2,820)
Transfer between reserves	-	-	-	682	-	-	-	(682)	-	-	-
At 30th June, 2021 (unaudited)	57,438	323,195	36,720	39,432	-	3,188	(21,186)	641,322	1,080,109	100,618	1,180,727

Notes:

- (a) Mainland China statutory reserve is a reserve required by the relevant laws in Mainland China applicable to subsidiaries in Mainland China for enterprise development purposes.
- (b) Other reserve represented:
- (i) adjustments arising from acquisition of additional interest in a subsidiary of approximately HK\$150,000 and deemed disposal of part of its interest in a subsidiary of approximately HK\$599,000.
 - (ii) adjustments arising from acquisition of additional interest in a subsidiary of approximately HK\$8,820,000.
 - (iii) deemed contribution arising from waiver of amount due to a former non-controlling shareholder of approximately 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.
 - (iv) adjustments arising from acquisition of additional interest in a subsidiary of approximately HK\$12,238,000 during the year ended 31st December, 2017, which was transferred from non-controlling interest upon the exercise of a put option by non-controlling shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(166,669)	187,007
INVESTING ACTIVITIES		
Deposits received for disposal of a subsidiary	20,000	–
Purchase of property, plant and equipment	(21,868)	(21,003)
Payments for rental deposit	–	(4,998)
Deposits paid for acquisition of property, plant and equipment	(999)	(586)
Proceeds from disposal of investment properties	–	4,132
Proceeds from disposal of property, plant and equipment	1,241	1,130
Other investing cash flows	3,655	1,385
NET CASH FROM (USED IN) INVESTING ACTIVITIES	2,029	(19,940)
FINANCING ACTIVITIES		
Trust receipt loans raised	1,061,353	419,297
Bank loans raised	81,120	188,564
Repayment of trust receipt loans	(700,525)	(483,930)
Repayment of bank loans	(115,595)	(259,711)
Repayment of lease liabilities	(23,277)	(28,745)
Interest paid on bank borrowings	(7,352)	(11,633)
Interest paid on lease liabilities	(5,716)	(5,926)
Dividend paid to non-controlling interests	(2,820)	(2,609)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	287,188	(184,693)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122,548	(17,626)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	422,881	323,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,770	(2,540)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	547,199	303,097
REPRESENTED BY:		
Bank balances and cash	527,185	284,864
Bank balances and cash under assets held for sale	20,014	18,233
	547,199	303,097

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2021

1. GENERAL INFORMATION

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").

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are manufacturing and sales of metal products and building construction materials.

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 insurance policy assets and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2021 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31st December, 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2*

3.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in HKFRS 9 *Financial Instrument* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Leases

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In that case, the Group uses the revised discount rate that reflects change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in HKFRS 16 to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

The Group as a lessor

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments.

3.1.2 Transition and summary of effects

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31st December, 2021.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided 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 and services provided.

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 operation relating to money lending is presented as other operation.

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

For the six months ended 30th June, 2021 (unaudited)

	Metal products <i>HK\$'000</i>	Building construction materials <i>HK\$'000</i>	Reportable segment total <i>HK\$'000</i>	Other operation <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External revenue	813,165	1,159,118	1,972,283	93	–	1,972,376
Inter-segment revenue	<u>2,116</u>	<u>579</u>	<u>2,695</u>	<u>–</u>	<u>(2,695)</u>	<u>–</u>
Total	<u>815,281</u>	<u>1,159,697</u>	<u>1,974,978</u>	<u>93</u>	<u>(2,695)</u>	<u>1,972,376</u>
SEGMENT RESULT						
	<u>82,082</u>	<u>41,790</u>	<u>123,872</u>	<u>115</u>	<u>–</u>	<u>123,987</u>
Unallocated other income						729
Unallocated corporate expenses						(10,464)
Finance costs						(13,365)
– Interest on bank borrowings						(7,649)
– Interest on lease liabilities						(5,716)
Share of result of a joint venture						(137)
Share of result of an associate						<u>(364)</u>
Profit before taxation						<u>100,386</u>

For the six months ended 30th June, 2020 (unaudited)

	Metal products HK\$'000	Building construction materials HK\$'000	Reportable segment total HK\$'000	Other operation HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External revenue	525,155	733,765	1,258,920	–	–	1,258,920
Inter-segment revenue	3,663	1,062	4,725	–	(4,725)	–
	<u>528,818</u>	<u>734,827</u>	<u>1,263,645</u>	<u>–</u>	<u>(4,725)</u>	<u>1,258,920</u>
Total	528,818	734,827	1,263,645	–	(4,725)	1,258,920
SEGMENT RESULT						
	<u>53,748</u>	<u>14,108</u>	<u>67,856</u>	<u>–</u>	<u>–</u>	<u>67,856</u>
Unallocated other income						1,183
Unallocated corporate expenses						(11,740)
Finance costs						(17,202)
– Interest on bank borrowings						(11,276)
– Interest on lease liabilities						(5,926)
Share of result of a joint venture						(55)
Share of result of an associate						208
Profit before taxation						<u>40,250</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the gross profit generated or loss 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, finance costs and share of results of a joint venture and an associate. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Revenue from major products and services

The following is an analysis of the Group's external revenue from its major products and services:

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Steel coil processing, steel wires and wire rope products	813,165	525,155
Concrete products	205,042	174,250
Construction steel products and processing, and other construction products	954,076	559,515
Interest income from money lending	93	–
	1,972,376	1,258,920

Geographical information

The Group's revenue from external customers by geographical location of the customers is detailed below:

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong	1,084,757	709,302
Mainland China	775,207	498,715
Macau	66,620	3,422
Others	45,792	47,481
	1,972,376	1,258,920

All the revenue of the Group is recognised at a point in time.

5. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Gain on disposal of investment properties	–	112
(Loss) gain on disposal of property, plant and equipment	(626)	62
Loss on deregistration of a subsidiary	–	(488)
Net exchange gain (loss)	859	(782)
	233	(1,096)

6. INCOME TAXES

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
The charge comprises:		
Current period		
Hong Kong Profits Tax	152	270
Mainland China Enterprise Income Tax	11,423	8,474
Withholding tax paid for distributed profits in Mainland China	1,157	315
	<u>12,732</u>	<u>9,059</u>
Overprovision in prior years		
Hong Kong Profits Tax	(310)	–
Mainland China Enterprise Income Tax	(5,318)	(2,291)
	<u>(5,628)</u>	<u>(2,291)</u>
Deferred taxation	1,420	815
	<u>8,524</u>	<u>7,583</u>

On 21st March, 2018, the Hong Kong Legislative Council passes the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of taxable profits of a qualifying entity in the group will be taxed at 8.25%, and taxable profits above HK\$2 million will be taxed at 16.5%. The profits of other entities in the group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Under the Law of Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Chinese subsidiaries is 25% for both periods. In addition, one Chinese subsidiary of the Company in Tianjin and one in Guangdong were qualified as “High-tech Enterprise” and subject to an Enterprise Income Tax Rate of 15%, which were granted for three years starting from 2019 and 2018 respectively. Another three Chinese subsidiaries were qualified as “Small Low-profit Enterprise” in Guangdong and subject to an Enterprise Income Tax Rate of 5% for the first Renminbi (“RMB”) 1 million of taxable profits and 10% for the taxable profits above RMB1 million but not exceeding RMB3 million. Further, withholding income tax of 10% is generally imposed on dividends relating to any profits earned commencing from 2008 to foreign investors, while for some Chinese entities held by companies incorporated in certain places, including Hong Kong, preferential tax rate of 5% will be applied according to Mainland China tax regulations if such companies are the beneficial owner of over 25% of these Chinese entities.

The EIT Law requires withholding tax to be levied on distribution of profits earned by a Chinese 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, 2021 and 31st December, 2020, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

7. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	20,556	17,505
Depreciation of right-of-use assets	25,865	30,049
Net increase (decrease) of inventories provision (included in cost of sales)	10,558	(14)

8. DIVIDEND

During the current period, a final dividend of HK3.5 cents per share in respect of the year ended 31st December, 2020 (six months ended 30th June, 2020: final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2019) was declared. The aggregate amount of the final dividend payable in the current period amounted to approximately HK\$20,103,000 (six months ended 30th June, 2020: approximately HK\$11,488,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK2.0 cents per share (six months ended 30th June, 2020: Nil) will be paid to the shareholders of the Company whose names appear in the register of members of the Company on 13th October, 2021.

9. BASIC 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 approximately HK\$78,286,000 (six months ended 30th June, 2020: approximately HK\$22,338,000) and 574,378,128 (six months ended 30th June, 2020: 574,378,128) ordinary shares in issue during the period.

No diluted earnings per share for both periods was presented as there were no potential ordinary shares in issue as at both period ends.

10. INVESTMENT PROPERTIES

During the six months ended 30th June, 2020, the Group disposed of investment properties with aggregate carrying amount of approximately HK\$4,020,000.

11. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment of approximately HK\$26,538,000 (six months ended 30th June, 2020: approximately HK\$28,045,000) in order to expand its manufacturing capabilities.

During the current period, the Group disposed of property, plant and equipment with aggregate carrying amount of approximately HK\$1,867,000 (six months ended 30th June, 2020: approximately HK\$1,068,000).

12. RENTAL AND OTHER DEPOSITS, TRADE, BILLS, LOAN AND OTHER RECEIVABLES

	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000
Trade and bills receivables, net	776,940	691,940
Prepayments, deposits and other receivables, net	70,204	83,486
Loan receivables, net	2,893	3,291
	<u>850,037</u>	<u>778,717</u>
Analysed for reporting purpose as:		
Current	840,584	764,196
Non-current - Loan receivables, net	2,067	2,485
Non-current - Rental and other deposits	7,386	12,036
	<u>850,037</u>	<u>778,717</u>

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

Trade and bills receivables, net of impairment losses under ECL model, with an ageing 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, 2021 HK\$'000	31st December, 2020 HK\$'000
0 - 30 days	384,644	362,958
31 - 60 days	246,643	211,255
61 - 90 days	97,833	75,397
91 - 120 days	28,895	21,963
More than 120 days	18,925	20,367
	<u>776,940</u>	<u>691,940</u>

The management of the Group uses provision matrix to calculate ECL collectively for trade receivables by groupings of various trade debtors that have similar loss patterns as reflected in the debtors' historical payment pattern. Trade debtors with significant balances that are credit-impaired are assessed for impairment individually.

13. TRADE AND OTHER PAYABLES

	30th June, 2021	31st December, 2020
	HK\$'000	HK\$'000
Trade payables	179,503	145,567
Accruals, deposits received and other payables	204,921	185,491
	384,424	331,058

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

	30th June, 2021	31st December, 2020
	HK\$'000	HK\$'000
0 - 30 days	138,605	104,330
31 - 60 days	26,065	27,467
61 - 90 days	7,611	5,797
91 - 120 days	3,049	3,318
More than 120 days	4,173	4,655
	179,503	145,567

14. BANK BORROWINGS

During the current period, the Group raised bank loans and trust receipt loans of approximately HK\$81,120,000 and approximately HK\$1,061,353,000 (six months ended 30th June, 2020: approximately HK\$188,564,000 and approximately HK\$419,297,000) respectively, and repaid bank loans and trust receipt loans of approximately HK\$115,595,000 and approximately HK\$700,525,000 (six months ended 30th June, 2020: approximately HK\$259,711,000 and approximately HK\$483,930,000) respectively. All new bank borrowings raised during the current period are unsecured and 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 1.08% to 5.60% (31st December, 2020: 1.15% to 5.60%) per annum.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2020, 30th June, 2020, 31st December, 2020 and 30th June, 2021	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2020, 30th June, 2020, 31st December, 2020 and 30th June, 2021	574,378,128	57,438

16. CAPITAL COMMITMENTS

30th June, 2021 31st December, 2020
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

1,353 **10,111**

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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 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	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30th June, 2021 HK\$'000	31st December, 2020 HK\$'000			
Equity instrument at FVTOCI	3,188	3,718	Level 1	Quoted bid prices from a trading platform market	N/A
Insurance policy assets	13,747	13,294	Level 3	Quoted cash value from insurance contract vendors	Accounts value less surrender charges

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.

18. 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, 2021	31st December, 2020
	HK\$'000	HK\$'000
Construction in progress	85,667	85,667

19. RELATED PARTY DISCLOSURES

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

Relationship	Nature of transactions	Six months ended 30th June,	
		2021	2020
		HK\$'000	HK\$'000
An associate	Interest expenses on lease liabilities	–	111
	Expense relating to short-term leases	5,841	–
	Interest income	269	211

The gross amount due from an associate of HK\$18,000,000 (31st December, 2020: HK\$18,000,000), which is unsecured, carries interest at 2% below the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited per annum and is repayable in 2025.

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,	
	2021	2020
	HK\$'000	HK\$'000
Short-term employee benefits	11,800	9,966
Post-employment benefits	281	266
	12,081	10,232

20. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the current interim period, the disposal of the issued share of Steel Wealth Metal Limited ("HK Steel Wealth"), an indirect wholly-owned subsidiary of the Company, and the unsecured, non-interest bearing shareholder's loan owed by HK Steel Wealth to Fulwealth Metal Factory Limited, an immediate holding company of HK Steel Wealth was completed on 30th July, 2021.

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, 2021, the Group's total revenue was approximately HK\$1,972,376,000, representing an increase of 57% over the same period last year. The increase in revenue was mainly attributable to a more balanced growth in various businesses and an increase in steel prices during the period.

After deduction of profit attributable to non-controlling interests, profit attributable to shareholders of the Company amounted to approximately HK\$78,286,000, representing a significant increase of 250% over the same period last year.

During the period under review, the novel coronavirus (COVID-19) pandemic has created an unprecedented level of massive uncertainties to global economy. The Group's businesses also faced a series of challenges, especially for various raw materials such as steel which prices increased sharply and the imbalance in the global supply chain as a result of the pandemic, causing disruptions in the supply. During the period, the Management invested a huge amount of effort in responding to challenges, strictly controlling and managing all business operations, as well as focusing on increasing operating efficiency to avoid operational risks. Amidst a challenging environment, the Group's results were still able to achieve our expected goals, and the performance is satisfactory for the period.

The Board has declared an interim dividend of HK2.0 cents per share.

Metal Products

The business is currently comprising of steel coil processing, steel wires, and steel wire rope products.

During the period, revenue was approximately HK\$815,281,000, representing an increase of 54% over the same period last year, and the profit before interest and taxation was approximately HK\$82,082,000, representing an increase of 53% over the same period last year.

GOLIK

Benefited from Mainland China relatively kept the pandemic under control, and the economy of China remained stable, the Group's metal products, particularly steel wire and steel wire rope products performed well. The production and sales of steel wire and steel wire rope companies in cities including Tianjin, Heshan and Jiangmen, Guangdong Province continued to rise steadily during the period, overall business scale hits record high. However, as a result of a significant increase in the prices of commodities, especially the high raw materials cost of steel, additional cost of raw materials could not be fully transferred to downstream customers, which lowered gross margins for most of the products. The Management focused on controlling operational cost, further increasing the production capabilities of factories, intensifying efforts to develop new market sectors and bringing the impacts of the increase in raw materials on efficiency to its minimum through enhancing the scale of businesses during the period.

Building Construction Materials

Building construction materials line of business comprises mainly of ready mixed concrete, precast concrete products and processing and distribution of construction steel products in Hong Kong.

During the period, revenue was approximately HK\$1,159,697,000, representing an increase of 58% over the same period last year, and the profit before interest and taxation was approximately HK\$41,790,000, representing an increase of 196% over the same period last year.

Since the second half of last year, Hong Kong construction industry started to recover gradually. Under the atmosphere where all industries were experiencing unprecedented challenges, Hong Kong construction industry remained relatively stable, and the Group's building construction materials business also improved steadily. However, prices of raw materials such as steel, cement and aggregates surged during the period, which increased pressure on the cost of our supply contracts. The Group implemented a series of strict measures, which were committed to stabilize the cost of raw materials and supply chain, strategically ensure the sufficiency of inventories of major raw materials, and guarantee a stable supply to our customers.

During the period, despite low gross margins as a result of the wild swings in raw materials cost, the overall results of the building construction materials business of the Group had a significant improvement over the same period last year and continued to grow. The Group is full of confident in the prospect of the building construction materials business.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2021, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to approximately HK\$527,185,000 (31st December, 2020: approximately HK\$403,092,000). As at 30th June, 2021, current ratio (current assets to current liabilities) of the Group was 1.42:1 (31st December, 2020: 1.49:1).

As at 30th June, 2021, the total borrowings of the Group amounted to approximately HK\$1,019,677,000 (31st December, 2020: approximately HK\$691,766,000).

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, 2021 was 574,378,128 (31st December, 2020: 574,378,128).

As at 30th June, 2021, the equity attributable to the shareholders of the Company amounted to approximately HK\$1,080,109,000 (31st December, 2020: approximately HK\$1,016,887,000).

As at 30th June, 2021, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.42:1 (31st December, 2020: 0.26:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2021, the total number of staff of the Group was 1,553. 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

We expected the novel coronavirus (COVID-19) pandemic continues to be a massive uncertainty to global economy in the second half of 2021. Three major challenges pose for the Group in a period of time ahead include the financialization of commodities which causes fluctuation in the prices of various raw materials; disruptions of supply chain and logistics resulting from quarantine measures all over the world during the pandemic; and geopolitics creating uncertainties to investment prospects. The Group will further improve our business portfolio, increase operational efficiency and enhance overall risk resilience.

The Group is confident that, with its own business foundation built over 40 years and dedicating efforts of our experienced and outstanding team, assuming Mainland China and Hong Kong are able to control the pandemic as effective as the first half of the year in the remaining time of the year, the Group's businesses will be able to achieve satisfactory performance.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2021, 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 (the "Model Code") as set out in Appendix 10 to 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 MH (Note a)	163,928,082	201,666,392	365,594,474	63.65%
Mr. Ho Wai Yu, Sammy	2,000	-	2,000	0.00%
Mr. Lau Ngai Fai (Note b)	103,076	-	103,076	0.02%

Notes:

- (a) The 201,666,392 shares are held by Golik Investments Ltd. which is wholly owned by Mr. Pang Tak Chung MH.
- (b) Mr. Lau Ngai Fai resigned as executive director with effect from 1st July, 2021.

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, 2021, Mr. Pang Tak Chung MH had 5,850 non-voting deferred shares in Golik Metal Industrial Company Limited.

Save as disclosed above, as at 30th June, 2021, 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, 2021, 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.	201,666,392	35.11%

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, 2021, 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, 2021 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 潘國強 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.

CHANGES IN DIRECTORS’ INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in directors’ information since the date of 2020 Annual Report of the Company are set out below:

1. With effect from 1st March, 2021, the monthly salary of Mr. Pang Tak Chung 潘國強, the Chairman of the Company, has been increased by HK\$10,000.
2. With effect from 1st March, 2021, the monthly salary of Mr. Ho Wai Yu, Sammy, the Vice Chairman of the Company, has been increased by HK\$10,000.
3. With effect from 1st March, 2021, the monthly salary of Ms. Pang Wan Ping, an Executive Director of the Company, has been increased by HK\$5,000.
4. With effect from 1st March, 2021, the monthly salary of Mr. Lau Ngai Fai, an Executive Director of the Company, has been increased by HK\$5,000. And with effective from 1st July, 2021, Mr. Lau has been resigned as an Executive Director of the Company.

5. With effective from 27th March, 2021, Mr. Lo Yip Tong has been resigned as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company.
6. With effect from 16th June, 2021, Mr. Hai Tuen Tai, Freddie has been appointed as an Independent Non-executive Director, a member of Audit Committee and Remuneration Committee of the Company. And with effective from 1st July, 2021, Mr. Hai has stepped down as a committee member of the Harbourfront Commission of Hong Kong Government.
7. With effect from 1st August, 2021, Mr. Pang Chi To has been appointed as an Executive Director of the Company. Mr. Pang is the son of Mr. Pang Tak Chung MH, the Chairman, the managing director and the controlling shareholder of the Company, and the brother of Ms. Pang Wan Ping, an Executive Director of the Company.

Save as disclosed above, the Company is not aware of other information which is required to be disclosed under Rule 13.51B(1) of the Listing Rules.

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. Hai Tuen Tai, Freddie.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2021. 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. Hai Tuen Tai, Freddie.

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 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, 2021.

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, 2021.

ACKNOWLEDGEMENT

I personally take this opportunity to sincerely thank each employee and management staff of the Group in abundance for their past efforts and contributions. I would also like to thank shareholders of the Group, customers, banks and business associates who had supported the Group along the way. With our joint efforts, the Group endeavours to deliver better results in the second half of the year.

By Order of the Board

Pang Tak Chung MH

Chairman

Hong Kong, 27th August, 2021