

GOLIK
HOLDINGS LIMITED

2020

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. 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 MHKCS MHKSI

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

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
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank (Hong Kong)
Limited

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

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WEBSITE

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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, 2020 together with the comparative unaudited figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

	NOTES	Six months ended 30th June, 2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	1,258,920	1,338,948
Cost of sales		(1,052,898)	(1,183,926)
Gross profit		206,022	155,022
Other income		9,844	10,797
Interest income		1,351	1,228
Selling and distribution costs		(57,099)	(50,472)
Administrative expenses		(80,203)	(83,686)
Reversal of impairment losses under expected credit loss (“ECL”) model, net		666	770
Other gains and losses	5	(1,096)	(98)
Other expenses		(22,186)	(15,974)
Finance costs		(17,202)	(21,296)
– Interest on bank borrowings		(11,276)	(14,450)
– Interest on lease liabilities		(5,926)	(6,846)
Share of result of a joint venture		(55)	–
Share of result of an associate		208	59
Profit (loss) before taxation		40,250	(3,650)
Income taxes	6	(7,583)	(3,326)
Profit (loss) for the period	7	32,667	(6,976)

	Six months ended 30th June,	
NOTE	2020	2019
	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	(9,251)	(1,866)
– 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) gain on an equity instrument at fair value through other comprehensive income (“FVTOCI”)	(1,576)	616
Other comprehensive expense for the period	(10,339)	(1,250)
Total comprehensive income (expense) for the period	22,328	(8,226)
Profit (loss) for the period attributable to:		
Shareholders of the Company	22,338	(13,697)
Non-controlling interests	10,329	6,721
	32,667	(6,976)
Total comprehensive income (expense) for the period attributable to:		
Shareholders of the Company	13,745	(14,656)
Non-controlling interests	8,583	6,430
	22,328	(8,226)
Basic earnings (loss) per share	9 HK3.89 cents	(HK2.44 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2020

	NOTES	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
Non-current Assets			
Investment properties	10	–	4,020
Property, plant and equipment	10	477,335	471,319
Right-of-use assets		274,405	273,168
Interest in a joint venture		3,826	3,881
Interest in an associate		–	–
Amount due from an associate		239	31
Equity instrument at FVTOCI		2,745	4,321
Insurance policy assets		13,201	12,790
Rental and other deposits	11	11,509	5,640
Deposits paid for acquisition of property, plant and equipment		4,429	11,143
Loan receivables	11	2,893	3,151
		790,582	789,464
Current Assets			
Inventories		439,416	579,178
Trade, bills, loan and other receivables	11	625,704	644,361
Income tax recoverable		–	5,191
Bank time deposits with original maturity over three months		2,190	2,232
Bank balances and cash		284,864	304,672
		1,352,174	1,535,634
Assets classified as held for sale		33,541	33,899
		1,385,715	1,569,533

	NOTES	30th June, 2020 HK\$'000 (unaudited)	31st December, 2019 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	12	227,083	297,506
Contract liabilities		7,251	7,380
Lease liabilities		48,339	49,207
Dividend payable	8	11,488	–
Amounts due to non-controlling shareholders		3,200	3,200
Income tax payable		9,014	4,674
Bank borrowings	13	652,455	791,461
		<u>958,830</u>	<u>1,153,428</u>
Net Current Assets		<u>426,885</u>	<u>416,105</u>
		<u>1,217,467</u>	<u>1,205,569</u>
Capital and Reserves			
Share capital	14	57,438	57,438
Share premium and reserves		853,279	850,997
		<u>910,717</u>	<u>908,435</u>
Equity attributable to shareholders of the Company		910,717	908,435
Non-controlling interests		67,126	61,152
		<u>977,843</u>	<u>969,587</u>
Total Equity		<u>977,843</u>	<u>969,587</u>
Non-current Liabilities			
Deferred tax liabilities		18,095	17,280
Lease liabilities		221,529	218,702
		<u>239,624</u>	<u>235,982</u>
		<u>1,217,467</u>	<u>1,205,569</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

	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 31st December, 2018 (audited)	56,192	316,466	12,504	29,408	635	3,292	(21,186)	537,607	934,918	50,831	985,749
Adjustment	-	-	-	-	-	-	-	(9,622)	(9,622)	-	(9,622)
At 1st January, 2019 (restated)	56,192	316,466	12,504	29,408	635	3,292	(21,186)	527,985	925,296	50,831	976,127
(Loss) profit for the period	-	-	-	-	-	-	-	(13,697)	(13,697)	6,721	(6,976)
Other comprehensive (expense) income for the period											
Exchange difference arising on translation of foreign operations	-	-	(1,575)	-	-	-	-	-	(1,575)	(291)	(1,866)
Fair value gain on an equity instrument at FVTOCI	-	-	-	-	-	616	-	-	616	-	616
Total comprehensive (expense) income for the period	-	-	(1,575)	-	-	616	-	(13,697)	(14,656)	6,430	(8,226)
Dividend declared (note 8)	-	-	-	-	-	-	-	(11,238)	(11,238)	-	(11,238)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,688)	(2,688)
At 30th June, 2019 (unaudited)	56,192	316,466	10,929	29,408	635	3,908	(21,186)	503,050	899,402	54,573	953,975
Profit for the period	-	-	-	-	-	-	-	7,464	7,464	7,963	15,427
Other comprehensive (expense) income for the period											
Exchange difference arising on translation of foreign operations	-	-	(6,819)	-	-	-	-	-	(6,819)	(1,384)	(8,203)
Fair value gain on an equity instrument at FVTOCI	-	-	-	-	-	413	-	-	413	-	413
Total comprehensive (expense) income for the period	-	-	(6,819)	-	-	413	-	7,464	1,058	6,579	7,637

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
Shares issued in lieu of dividend under scrip dividend scheme (note 8)	1,246	6,851	-	-	-	-	-	-	8,097	-	8,097
Expenses paid under scrip dividend scheme	-	(122)	-	-	-	-	-	-	(122)	-	(122)
Transfer between reserves	-	-	-	3,597	-	-	-	(3,597)	-	-	-
At 31st December, 2019 (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
Disposal of investment properties	-	-	-	-	(635)	-	-	635	-	-	-
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)	(635)	(1,576)	-	22,973	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)
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

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 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.
 - (iv) adjustments arising from acquisition of additional interest in a subsidiary of 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, 2020

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	187,007	224,835
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,003)	(15,731)
Payments for rental deposit	(4,998)	(338)
Deposits paid for acquisition of property, plant and equipment	(586)	(41)
Repayment from a joint venture	–	1,153
Proceeds from disposal of investment properties	4,132	–
Proceeds from disposal of property, plant and equipment	1,130	217
Other investing cash flows	1,385	1,382
NET CASH USED IN INVESTING ACTIVITIES	(19,940)	(13,358)
FINANCING ACTIVITIES		
Trust receipt loans raised	419,297	488,685
Bank loans raised	188,564	375,133
Repayment of trust receipt loans	(483,930)	(751,798)
Repayment of bank loans	(259,711)	(253,407)
Repayment of lease liabilities	(28,745)	(33,217)
Interest paid on bank borrowings	(11,633)	(14,290)
Interest paid on lease liabilities	(5,926)	(7)
Dividend paid to non-controlling interests	(2,609)	(2,688)
NET CASH USED IN FINANCING ACTIVITIES	(184,693)	(191,589)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(17,626)	19,888
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	323,263	363,567
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,540)	(460)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	303,097	382,995
REPRESENTED BY:		
Bank balances and cash	284,864	382,995
Bank balances and cash under assets held for sale	18,233	–
	303,097	382,995

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2020

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.

Other than changes in 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, 2020 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31st December, 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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.

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 operation relating to printing materials 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, 2020 (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 sales	525,155	733,765	1,258,920	-	-	1,258,920
Inter-segment sales	3,663	1,062	4,725	-	(4,725)	-
Total	528,818	734,827	1,263,645	-	(4,725)	1,258,920
SEGMENT RESULT						
	53,748	14,108	67,856	-	-	67,856
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						40,250

For the six months ended 30th June, 2019 (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 sales	555,368	769,232	1,324,600	14,348	-	1,338,948
Inter-segment sales	3,510	1,084	4,594	-	(4,594)	-
Total	558,878	770,316	1,329,194	14,348	(4,594)	1,338,948
SEGMENT RESULT						
	36,698	(9,831)	26,867	(2,714)	457	24,610
Unallocated other income						881
Unallocated corporate expenses						(7,904)
Finance costs						(21,296)
– Interest on bank borrowings						(14,450)
– Interest on lease liabilities						(6,846)
Share of result of an associate						59
Loss before taxation						(3,650)

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

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

	Six months ended 30th June,	
	2020 HK\$'000	2019 HK\$'000
Steel coil processing, steel wires and wire rope products	525,155	555,368
Concrete products	174,250	118,602
Construction steel products and processing, and other construction products	559,515	650,630
Printing materials	-	14,348
	1,258,920	1,338,948

Geographical information

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

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	709,302	749,876
Mainland China	498,715	545,210
United States of America	19,115	5,003
Others	31,788	38,859
	<u>1,258,920</u>	<u>1,338,948</u>

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

5. OTHER GAINS AND LOSSES

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
Gain on disposal of investment properties	112	–
Gain on disposal of property, plant and equipment	62	113
Loss on deregistration of a subsidiary	(488)	–
Net exchange loss	(782)	(211)
	<u>(1,096)</u>	<u>(98)</u>

6. INCOME TAXES

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000
The charge comprises:		
Current period		
Hong Kong Profits Tax	270	838
Mainland China Enterprise Income Tax	8,474	5,111
Withholding tax paid for distributed profits in Mainland China	315	322
	<u>9,059</u>	<u>6,271</u>
Overprovision in prior years		
Hong Kong Profits Tax	–	–
Mainland China Enterprise Income Tax	(2,291)	(3,685)
	<u>(2,291)</u>	<u>(3,685)</u>
Deferred taxation		
	<u>815</u>	<u>740</u>
	<u>7,583</u>	<u>3,326</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 qualifying corporations will be taxed at 8.25%, and taxable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime are applicable to the Group for its annual reporting periods beginning on or after 1st January, 2018. The application of the two-tiered profits tax rates regime is expected to have insignificant effect to the Group.

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%. In addition, a Chinese subsidiary of the Company was qualified as “High-tech Enterprise” in Tianjin and subject to an Enterprise Income Tax Rate of 15%, which was granted for further three years starting from 2019. 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, 2020 and 2019, deferred tax was provided in full in respect of the temporary differences attributable to such profits.

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30th June,	
	2020	2019
	HK\$'000	HK\$'000

Profit (loss) for the period has been arrived
at after charging (crediting):

Depreciation of property, plant and equipment	17,505	18,135
Depreciation of right-of-use assets	30,049	30,216
Net decrease of inventories provision (included in cost of sales)	(14)	(18,801)

8. DIVIDEND

During the current period, a final dividend of HK2 cents per share in respect of the year ended 31st December, 2019 to be paid by cash (six months ended 30th June, 2019: final dividend of HK2 cents per share in respect of the year ended 31st December, 2018 with an option to be paid in new shares of the Company, credited as fully paid, by way of scrip dividend) was declared. The aggregate amount of the final dividend payable in the current period amounted to HK\$11,488,000 (six months ended 30th June, 2019: HK\$11,238,000).

The Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2020 (six months ended 30th June, 2019: Nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the period attributable to the shareholders of the Company of HK\$22,338,000 (six months ended 30th June, 2019: loss for the period attributable to the shareholders of the Company of HK\$13,697,000) and 574,378,128 (six months ended 30th June, 2019: 561,922,500) ordinary shares in issue during the period.

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

10. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group disposed of investment properties with aggregate carrying amount of HK\$4,020,000 (six months ended 30th June, 2019: Nil).

The fair value of the Group's investment properties as at 30th June, 2019 has been arrived at on the basis of a valuation carried out on 31st December, 2018 by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. In the opinion of the directors, there is no significant change in the fair value of the investment properties between 31st December, 2018 and 30th June, 2019.

During the current period, the Group acquired property, plant and equipment of HK\$28,045,000 (six months ended 30th June, 2019: HK\$15,814,000) in order to expand its manufacturing capabilities.

During the current period, the Group disposed of property, plant and equipment with aggregate carrying amount of HK\$1,068,000 (six months ended 30th June, 2019: HK\$104,000).

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Trade and bills receivables, net	561,264	587,658
Prepayments, deposits and other receivables, net	75,157	61,558
Loan receivables, net	3,685	3,936
	<u>640,106</u>	<u>653,152</u>
Analysed for reporting purpose as:		
Current assets	625,704	644,361
Non-current assets – Loan receivables, net	2,893	3,151
Non-current assets – Rental and other deposits	11,509	5,640
	<u>640,106</u>	<u>653,152</u>

Other than cash sales, the Group allows credit periods ranging from 30 to 150 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, 2020 HK\$'000	31st December, 2019 HK\$'000
0 – 30 days	291,724	301,049
31 – 60 days	155,241	174,233
61 – 90 days	84,051	70,226
91 – 120 days	16,668	23,853
More than 120 days	13,580	18,297
	<u>561,264</u>	<u>587,658</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.

12. TRADE AND OTHER PAYABLES

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
Trade payables	106,327	159,912
Accruals, deposits received and other payables	120,756	137,594
	<u>227,083</u>	<u>297,506</u>

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

	30th June, 2020 HK\$'000	31st December, 2019 HK\$'000
0 – 30 days	66,575	119,186
31 – 60 days	27,176	24,823
61 – 90 days	6,693	8,856
91 – 120 days	3,562	4,907
More than 120 days	2,321	2,140
	<u>106,327</u>	<u>159,912</u>

13. BANK BORROWINGS

During the current period, the Group raised bank loans and trust receipt loans of HK\$188,564,000 and HK\$419,297,000 (six months ended 30th June, 2019: HK\$375,133,000 and HK\$488,685,000) respectively, and repaid bank loans and trust receipt loans of HK\$259,711,000 and HK\$483,930,000 (six months ended 30th June, 2019: HK\$253,407,000 and HK\$751,798,000) 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 1.19% to 5.60% (31st December, 2019: 2.94% to 5.65%) per annum.

14. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2019, 30th June, 2019, 31st December, 2019 and 30th June, 2020	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2019 and 30th June, 2019	561,922,500	56,192
Shares issued in lieu of dividend under scrip dividend scheme	12,455,628	1,246
At 31st December, 2019 and 30th June, 2020	574,378,128	57,438

On 31st July, 2019, 12,455,628 new fully paid ordinary shares were issued and allotted at HK\$0.65 per share to the shareholders who elected to receive ordinary shares in lieu of cash dividends pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December, 2018.

15. CAPITAL COMMITMENTS

	30th June, 2020 <i>HK\$'000</i>	31st December, 2019 <i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	5,419	16,287

16. 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, 2020 HK\$'000	31st December, 2019 HK\$'000			
Equity instrument at FVTOCI	2,745	4,321	Level 1	Quoted bid prices from a trading platform market	N/A

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.

17. 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, 2020 HK\$'000	31st December, 2019 HK\$'000
Construction in progress	81,084	81,084

18. RELATED PARTY DISCLOSURES

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

	Interest income		Sub-licence fee	
	Six months ended 30th June, 2020 HK\$'000	2019 HK\$'000	Six months ended 30th June, 2020 HK\$'000	2019 HK\$'000
An associate	211	218	5,841	5,616

The gross amount due from an associate of HK\$14,000,000 (31st December, 2019: HK\$14,000,000), 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, the gross amount due from an associate of HK\$5,250,000 (31st December, 2019: HK\$5,250,000), which is unsecured, interest-free and is repayable in 2020 is 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,	
	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	9,966	9,377
Post-employment benefits	266	255
	10,232	9,632

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, 2020, the Group's total revenue was HK\$1,258,920,000, representing a decrease of 6% over the same period last year. The decrease in revenue was mainly due to the outbreak of novel coronavirus (COVID-19) in the beginning of the year and it has affected most of our businesses in Mainland China and Hong Kong with various degrees of downtime.

After deduction of profit attributable to non-controlling interests, profit attributable to shareholders of the Company amounted to HK\$22,338,000, representing a turnaround from loss to profit over the same period last year.

The Board has decided not to declare an interim dividend.

Metal Products

Metal products line of business comprises mainly of steel coil processing, manufacturing and sales of steel wires and steel wire rope products in the Mainland. Revenue for the period was HK\$528,818,000, representing a decrease of 5% over the same period last year. Profit before interest and taxation was HK\$53,748,000, representing an increase of 46% over the same period last year.

Affected by the pandemic, the operation of our Group's Mainland's businesses came to a standstill after the Chinese Lunar New Year holiday, resulting in poor performance of the Group's metal products business in the first quarter. Benefited from the effective measures taken in Mainland China to keep the pandemic under control, and our management's outstanding performance in the virus prevention and virus control, resumption of work and production, our Group's businesses became the first group to return to operation. The Group has not only minimised the impacts of the pandemic on production and order delivery, but also wins the customer confidence, which is conducive to gaining market share in the future. The Group's metal products business in Mainland has returned to normal since the second quarter. It is expected that annual performance can be maintained at a good level.

GOLIK

Following a growth of 89% in the same period last year, the metal products business continued to record a growth of 46% in the first half of the year. The growth was mainly due to overall good performance of the steel wire rope business, which has gradually increased its production capacity in recent years and achieved highest sales and performance in record during the period. The Group is encouraged by the excellent performance of the steel wire rope business.

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 HK\$734,827,000, representing a decrease of 5% over the same period last year, and the profit before interest and taxation was HK\$14,108,000, representing a turnaround from loss to profit over the same period last year.

The construction industry in Hong Kong is still unable to get out of the predicament. The insufficient public works projects has further intensify the competition within the industry. Coupled with the outbreak of the novel coronavirus (COVID-19) pandemic, the government's quarantine measures had caused disruptions of the raw material supply chain and delays in construction progress. The performance of building construction materials business during the period is still unsatisfactory, but it has improved compared to the previous year. It is expected that through the unremitting efforts of our team, the annual performance can be continuously improved.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2020, the total bank balances and cash (excluding bank balances and cash classified as assets held for sale) of the Group amounted to HK\$284,864,000 (31st December, 2019: HK\$304,672,000). As at 30th June, 2020, the current ratio (current assets to current liabilities) of the Group was 1.45:1 (31st December, 2019: 1.36:1).

As at 30th June, 2020, the total bank borrowings of the Group amounted to HK\$652,455,000 (31st December, 2019: HK\$791,461,000).

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, 2020 was 574,378,128 (31st December, 2019: 574,378,128).

As at 30th June, 2020, the equity attributable to the shareholders of the Company amounted to HK\$910,717,000 (31st December, 2019: HK\$908,435,000).

As at 30th June, 2020, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.38:1 (31st December, 2019: 0.50:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2020, the total number of staff of the Group was 1,651. 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

The year 2020 is expected to be full of challenges and uncertainties. The global economic impacts of the novel coronavirus (COVID-19) pandemic, coupled with a series of political and social events in Hong Kong, will have significant negative impacts on the Group's businesses, and these negative impacts will not disappear within a short period of time. The Group will adopt a prudent approach to further adjust and optimise its current businesses and strengthen its ability to resist risks.

The Group's two major core businesses currently have solid foundations and sufficient market competence. The Group is confident that, with its own capabilities and market competitiveness, it will be able to overcome current challenges. The Group is cautiously optimistic that the Group's annual performance will continue to improve.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2020, 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)	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	103,076	-	103,076	0.02%

Note:

The 201,666,392 shares are held by Golik Investments Ltd. which is wholly owned by Mr. Pang Tak Chung MH.

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, 2020, 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, 2020, 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, 2020, 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, 2020, 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, 2020 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 潘國輝 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 2019 Annual Report of the Company are set out below:

With effect from 1st March, 2020,

1. the monthly salary of Mr. Pang Tak Chung 潘國輝, Chairman of the Company, has been increased by HK\$10,000.
2. the monthly salary of Mr. Ho Wai Yu, Sammy, Vice Chairman of the Company, has been increased by HK\$10,000.
3. the monthly salary of Ms. Pang Wan Ping, Executive Director of the Company, has been increased by HK\$4,000.
4. the monthly salary of Mr. Lau Ngai Fai, Executive Director of the Company, has been increased by HK\$5,000.

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.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30th June, 2020. 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 as 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 as 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, 2020.

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, 2020.

ACKNOWLEDGEMENT

I would like to take this opportunity to thank each employee and management staff member of the Group for their past efforts and contributions. I would also like to thank our shareholders, customers, banks and business associates who have supported the Group along the way. With your concerted efforts, the Group endeavours to deliver good results in the second half of the year.

By Order of the Board

Pang Tak Chung MH

Chairman

Hong Kong, 28th August, 2020