GOLIK

GOLIK HOLDINGS LIMITED

30th 1977 - 2007 Anniversary
高力集團有限公司
GOLIK HOLDINGS LIMITED

ANNUAL REPORT 2007

Stock Code : 1118

Contents

Corporate Information

Executive Directors

Mr. Pang Tak Chung *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Mr. John Cyril Fletcher

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

Qualified Accountant

Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
www.golik.com.hk

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Investor Relations

JOVIAN Financial Communications Limited
Room 1405-14, 14th Floor
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Business Profile

Steel Coil Processing Center in
Dongguan, Guangdong, the PRC

Steel Re-bars

Ready Mixed Concrete Plant in
Siu Ho Wan, Lantau Island, Hong Kong

Wire Ropes and
Pre-stressed Steel
Strands

Chairman's Statement

I would like to present the annual results of Golik Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2007.

BUSINESS REVIEW

For the year ended 31st December, 2007, the Group's turnover was HK$2,728,040,000, approximately 33% growth over 2006. The increase in turnover was notably due to the extensive increases in the prices of steel materials and an overall increase of operating revenues from the construction material businesses in Hong Kong and Macau.

After deduction of the minority interests, profit attributable to the equity holders of the Company was HK$27,585,000, decreased 33% relative to last year.

During the year under review, business environment was filled with a full raft of challenges, including several amendments made to policies by the Government of the People's Republic of China (the "PRC") on the processing industries in the Pearl River Delta Region and certain products' export tax rebates. The Group's steel operations including a steel processing unit in the PRC and a steel distribution business in Hong Kong, were dealt with an immense amount of pressure on their profits for the year. Performance was hence below expectation during this year.

Steel and Metal Products

1. **Steel Coil Processing**

   The Group's Steel Coil Processing Center mainly supplies steel sheet as various materials to manufacturers in the Pearl River Delta Region for export production of stationeries, household electrical appliances and metal products, etc.

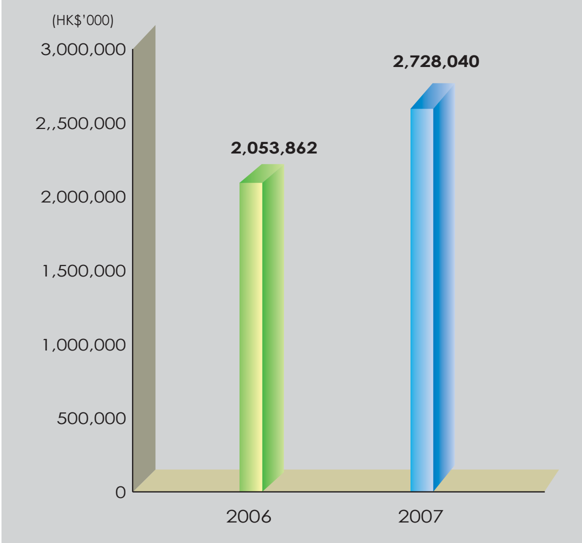
   Over the past year, adverse factors of rising raw material prices, uptrend of labour overhead costs, appreciation of Renminbi and the PRC Government's decision to tighten policies toward processing industries did create immense challenge for most of the processing operations along the Pearl River Delta Region. The Group's Steel Coil Processing Center therefore less performed while compared to last year.

   Faced with changes in the operating environment, the Management had streamlined and reorganised the cost structure, reduced overheads and increased efficiency to ensure as possible the profitability was maintained during the year.

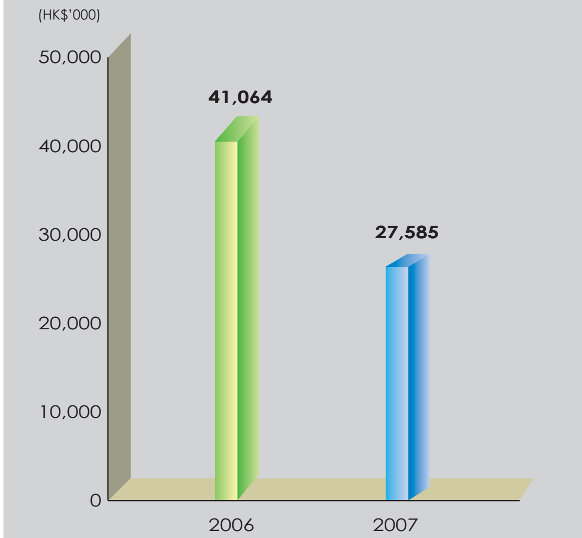
   The new Steel Coil Processing Center which began last year servicing mainly the PRC's domestic market is still in its development phase. Although it is unable to return profit in the year, the operation is anticipated to be able to gradually make the transition to meet market needs as well as the development in the PRC's domestic market in the long run.

Chairman's Statement

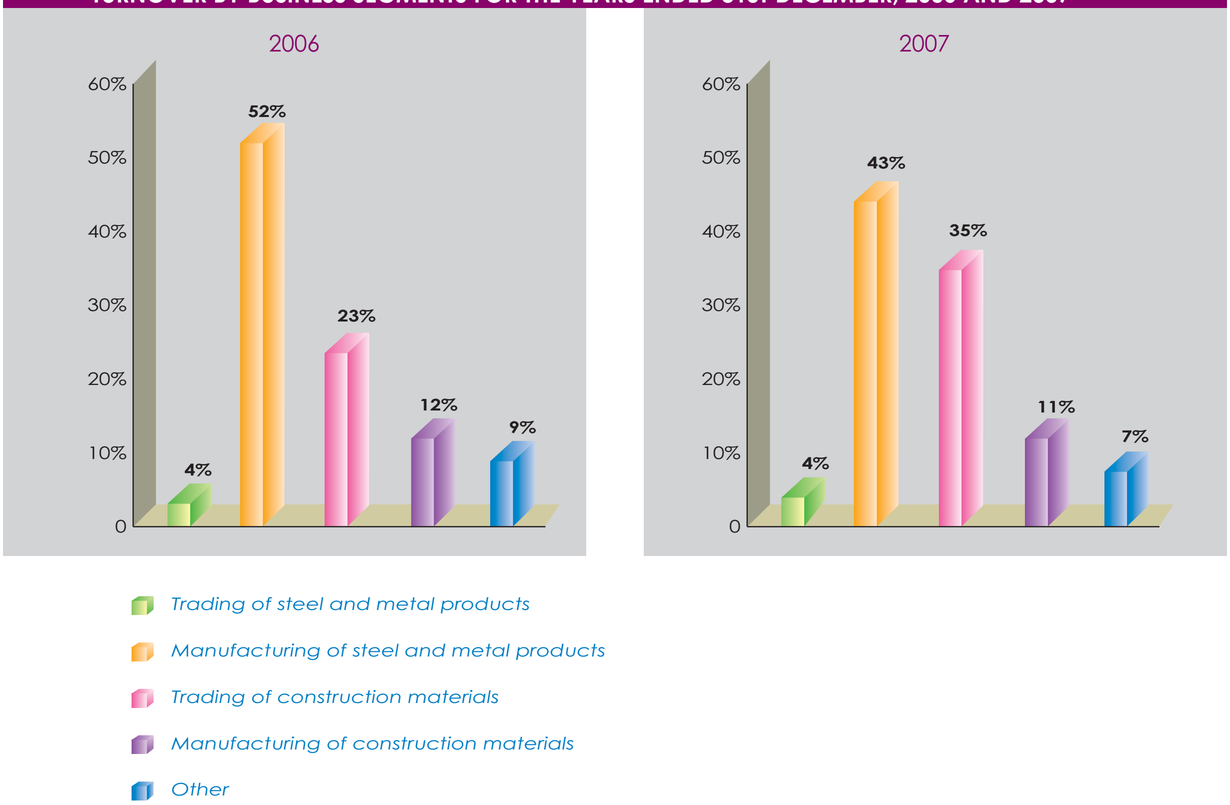
TURNOVER FOR THE YEARS ENDED 31ST DECEMBER, 2006 AND 2007



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEARS ENDED 31ST DECEMBER, 2006 AND 2007



TURNOVER BY BUSINESS SEGMENTS FOR THE YEARS ENDED 31ST DECEMBER, 2006 AND 2007



Chairman's Statement

2. **Wires Processing (Steel Wires, Wire Ropes and Pre-stressed Steel Strands)**
   During the year, performance of Steel Wires products was in line with expectation. By strengthening management supervision, reduction of overheads and improvement of operational efficiency, sales and profitability of Steel Wires products had been improved during the year.

   In order to further sustain market competitiveness for Steel Wires products, the Group had increased its capital investment in the Steel Wires factory in Heshan, Guangdong Province, to simultaneously increase production capacity and consolidate existing production programmes during the year. Aside from expansion of the production plant and improving production related processes, a new galvanised Steel Wires production line with the most up-to-date technology purchased from abroad has been introduced which is expected to start production from the third quarter of 2008.

   The recent snow storm experienced in the southern part of the PRC had resulted in the collapse of a large network of power lines causing severe economic losses. The PRC authorities have noted the critical importance of using high-quality materials in the construction of power transmission network. Over the next few years, resources used in the reconstruction of power transmission networks will include a great deal of high-quality galvanised Steel Wires and Steel Strands. The Group's newly purchased galvanised Steel Wires production line will hence be able to substantiate solid return.

Construction Materials Products

1. **Steel Re-bars Stockholding and Distribution**
   The Group's steel distribution business supplies mainly steel reinforcement bars for both Hong Kong and Macau's construction industries. During the year, the PRC Government had on many occasions made adjustment to export tax rates on domestic made steel products, from a 13% export tax rebate of a year ago to current export tax rate of 15%. In a period of one year, the difference in export tax rates accumulated to 28% resulting in a substantial increase in the cost structure of steel materials and a decline in profit margin. During this year, the steel distribution business experienced a great challenge, the impact was especially evidenced in the second half of the year and the overall performance was disappointed.

   In recent years, there has been a large fluctuation in the prices of steel materials. The Group has adopted a more conservative operating strategy on its steel business to avoid big loss under this critical business environment. The majority of the adverse impacts on operating result of the steel distribution business caused by export tax rate adjustment is expected to be exhausted by the end of the first quarter of 2008 and a return to normal level of profit is expected to begin in the second quarter.

2. **Ready Mixed Concrete Products**
   The ready mixed concrete business in the Guangzhou region still faces with intense market competition. The continuing upward pressure on the cost of materials including sand, aggregates and cement, etc. had culminated in lower profit margin thus performance was unsatisfactory.

   The ready mixed concrete business in Hong Kong together with the Hong Kong's construction sector is gradually on a recovering path, its performance was satisfactory during the year, both turnover and profit showed ideal growth from last year.

   In order to anticipate for future growth, a small new ready mixed concrete plant located in Yuen Long, Hong Kong, has been put into operation during the year.

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2007, the total bank balances and cash of the Group reached approximately HK$170,125,000. As at 31st December, 2007, current ratio (current assets to current liabilities) for the Group was 1.31:1.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31st December, 2007, total borrowings for the Group were approximately HK$651,735,000.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, the Group believes its exposure to exchange risk is not material. For the fluctuation of exchange rate of Renminbi, the Management will continue to monitor foreign exchange exposure of Renminbi and will take prudence measures to minimize the currency risk.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2007, equity attributable to equity holders of the Company reached approximately HK$483,799,000.

As at 31st December, 2007, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.86:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2007, the total number of staff of the Group was 1,157. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees. Share options may also be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 27th May, 2004.

PROSPECT

The fluctuation in the prices of raw materials, the continuing rise of integrated production costs and the tightening of policies against processing industries in the PRC are amongst other unfavourable factors that will continue to put pressure and uncertainty on enterprises in the PRC. In face of these rapidly changing investment environments, it is necessary to remain objective in making timely and tactical adjustments accordingly. The Management has already set new business strategies in the expansion of and strengthening the PRC's domestic market and broadening the operating area, especially in the development of high-value-added high-end products.

The Government of the HKSAR has pledged to commit annually a spending amount of HK$29 billion for infrastructure projects in Hong Kong with various public projects start ups expected to be accelerated; The economy of neighbouring region of Macau has improved in recent years and this leads to a growing demand in local infrastructures, public facilities and residential construction projects. The Group has been well-established in the construction materials business over 30 years in Hong Kong and the business will therefore be able to prosper as a result.

The business outlook will undoubtedly be full of challenges and opportunities, the Management will uphold a proactive and positive approach in facing these market challenges and opportunities ahead to strive to deliver the best return as possible for shareholders.

ACKNOWLEDGEMENT

I would like to take this opportunity to give my earnest acknowledgement and deepest gratitude to our staff and Management for their past contributions and efforts over the past years and also to our customers, shareholders, bankers and business partners for their relentless support. With their continuing support, I hope the Group can achieve better result in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 18th April, 2008

Directors of the Group

Mr. Pang Tak Chung, aged 59, is the chairman of the Company since 1996. Mr. Pang is the founder of Golik Metal Industrial Company Limited ("Golik Metal") in 1977 and a director of Golik Investments Ltd. which is a substantial shareholder of the Company. He is responsible for strategic planning, overall management and corporate development of the Group. He has over 32 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. He also has extensive experience in international trading practices. In addition, Mr. Pang is a member of the Twelfth Chinese People's Political Consultative Conference Tianjin Municipal Committee and the Honorary Citizen of both Jiangmen and Heshan, Guangdong Province.

Mr. Ho Wai Yu, Sammy, aged 52, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development of the Group. Mr. Ho is a fellow member of Association of Chartered Certified Accountants, an associate member of Hong Kong Institute of Certified Public Accountants, a full member of Chartered Management Institute in the United Kingdom, a full member of Hong Kong Computer Society and a founder and permanent honorable president of IT Accountants Association. He has over 27 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 63, was appointed as executive director of the Company and the managing director of the Concrete Division of the Group in 2004. Mr. Fletcher is responsible for running the manufacturing operations, marketing strategy planning and overall management of the Concrete Division of the Group. He is a qualified engineer and a registered Chartered Practising Engineer (CPE), a member of Institute of Engineers Australia and a fellow member of Institute of Production Engineers in London. Educated in Western Australia, he has worked in various management positions in Hong Kong, the PRC, Malaysia and Australia. He has extensive hands on experience at both operational and executive level in engineering, factory management, sale and marketing and general management. Mr. Fletcher has resided in Hong Kong for more than 23 years.

Mr. Robert Keith Davies, aged 51, is a non-executive director of the Company. Mr. Davies has engineering background with working experience in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trade and structured finance; trading practices, management of manufacturing plants and negotiation procedures, more recently he links up the Group in its international M&A activities with international partners wishing to manufacture in the PRC. Mr. Davies has resided in Hong Kong since 1995, he joined Golik Metal in 1991.

Mr. Yu Kwok Kan, Stephen, aged 52, was appointed as an independent non-executive director of the Company in 1997. Mr. Yu is a partner of J.K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 27 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 52, holds MBA from the University of Macau, was appointed as an independent non-executive director of the Company in 2004. Mr. Chan is the Managing Director of Modern Marketing Limited. He is a senior executive with over 19 years of corporate management, strategic business development and marketing experience in the PRC for various multi-national corporations, including leading Fortune 500 such as BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He has intensive knowledge and experience in the PRC market.

Mr. Lo Yip Tong, aged 50, was appointed as an independent non-executive director of the Company in 2004. Mr. Lo is the proprietor of Y.T. Lo & Co., Certified Public Accountants and has over 22 years of experience in statistical, accounting, auditing and financial restructuring work. He is currently a member of Hong Kong Institute of Certified Public Accountants and a Certified Public Accountants (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with code provisions (with the exception of code provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) set out in the CG Code throughout the year ended 31st December, 2007. Explanations for such non-compliance are provided and discussed below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules ("Model Code"). Having made specific enquiry of all directors, 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 for the year ended 31st December, 2007.

BOARD OF DIRECTORS

The board currently comprises three executive directors and four non-executive directors, three of whom are independent non-executive directors.

The board members during the year and up to the date of this report are:

Executive Directors
Mr. Pang Tak Chung *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Mr. John Cyril Fletcher

Non-Executive Director
Mr. Robert Keith Davies

Independent Non-Executive Directors
Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

In compliance with code provisions of the CG Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board. The Board considers the determination of the appointment and removal of directors to be the Board's collective decision and this does not intend to adopt the recommended best practices of CG Code to set up a Nomination Committee. Details of nomination of directors are set out in the section "Nomination of Directors" below.

The directors acknowledged their responsibilities for the preparation of the accounts of the Group.

A statement by the auditor about its reporting responsibilities is included in the Independent Auditor's Report on page 17 of this Annual Report.

The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers each of the independent non-executive directors to be independent.

TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code requires that non-executive directors should be appointed for a specific term and should be subject to re-election.

The non-executive directors have no set term of office. All directors of the Company shall be subject to retirement by rotation at least once every three years in accordance with the Company's Bye-laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, efficiency 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 the Company's business efficiently.

Corporate Governance Report

BOARD MEETINGS

The Board met four times regularly during the year. At the meetings the directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the interim and annual results, as well as other significant matters. Daily operational matters are delegated to the management.

The Company Secretary assists the Chairman in preparing the agenda for meeting and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all directors. Draft copies of the minutes have been circulated to all directors for comment and approval as soon as practicable after each meeting.

All directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have unrestricted access to the advice and services of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

AUDIT COMMITTEE

The Group established its Audit Committee on 5th January, 1999 with written terms of reference which are in line with the CG Code and available on the Company's website. The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. The Audit Committee is chaired by Mr. Yu Kwok Kan, Stephen. The Audit Committee shall meet at least twice a year to review the Group's financial reporting process and internal controls.

The Audit Committee met four times during the year to review the completeness, accuracy and fairness of the Company's financial statements, financial reporting system, internal control system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's interim and annual results have been reviewed by the Audit Committee, who is of the opinion that the relevant financial statements of the Group are complied with applicable accounting standards and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Group established its Remuneration Committee on 21st April, 2005 with written terms of reference which are in line with the CG Code and available on the Company's website. In order to comply with the requirements under the CG Code, a majority of the members of Remuneration Committee has to be independent non-executive directors. Currently, the Remuneration Committee comprises Mr. Robert Keith Davies who is a non-executive director; Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. Mr. Yu Kwok Kan, Stephen is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once a year to make recommendations to the Board on the Group's policy and structure for all remuneration of directors and on the establishment of formal and transparent procedures for developing policy on such remuneration.

The Remuneration Committee held one meeting during the year and discussed and reviewed the remuneration package of executive directors and the remuneration policy for executive directors for the year ended 31st December, 2007.

NOMINATION OF DIRECTORS

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on their professional qualifications and experience.

Corporate Governance Report

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2007

	Number of Meetings attended/held during the year		
Name and Designation	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**
Executive Directors			
Mr. Pang Tak Chung *(Chairman)*	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*	4/4	N/A	N/A
Mr. John Cyril Fletcher	4/4	N/A	N/A
Non-Executive Director			
Mr. Robert Keith Davies	4/4	N/A	1/1
Independent Non-Executive Directors			
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1
Mr. Lo Yip Tong	4/4	4/4	1/1

N/A: Not Applicable

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control to safeguard the Group's assets and shareholders' interests. The Board has conducted regular reviews on the effectiveness of the Group's internal control system during the year, which covers all material controls, including financial, operational and compliance controls as well as risk management functions.

The Board monitors the Group's progress on corporate governance practices. Periodic meetings are held, and circulars or guidance notes are issued to directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

AUDITOR'S REMUNERATION

During the year ended 31st December, 2007, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Company were as follows:-

Nature of services	**Amount** *(HK$'000)*
Review fee for 2007 interim results	300
Audit fee for 2007 final results	2,869
Audit service fee for Occupational Retirement Schemes	6
Total audit services	3,175

SHAREHOLDER RELATIONS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting ("AGM") allows directors to meet and communicate with shareholders. The Chairman is actively involved in organizing the AGM and personally chairs it, to ensure that shareholders' views are communicated to the Board. The Chairman proposes separate resolutions for each issue to be considered at the AGM.

AGM proceedings are reviewed periodically to ensure that the Group follows best corporate governance practices. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the meeting, and (except where a poll is required) reveals how many proxies for and against have been filed in respect of each resolution.

Our corporate website (http://www.golik.com.hk) which contains corporate information, interim and annual reports issued by the Company as well as recent developments of the Group enables shareholders to have timely and updated information of the Group.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 45, 18 and 19 to the consolidated financial statements, respectively.

During the year, the Group acquired an additional 20% equity interest in G.F.T.Z. Golik Metal Trading Co., Ltd.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 19.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 1.2 HK cents per share to the shareholders whose names appear on the register of members of the Company on 28th May, 2008, amounting to HK$6,808,000.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK$23.3 million. In addition, property, plant and equipment with carrying values of approximately HK$0.7 million were disposed of during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 33 and 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2007 were as follows:

	2007	2006
	HK$'000	*HK$'000*
Contributed surplus	**65,891**	65,891
Retained profits	**34,062**	43,617
	99,953	109,508

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

Directors' Report

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 year.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Pang Tak Chung *(Chairman)*
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*
Mr. John Cyril Fletcher

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

Mr. Yu Kwok Kan, Stephen
Mr. Chan Yat Yan
Mr. Lo Yip Tong

In accordance with bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Ho Wai Yu, Sammy, Chan Yat Yan and Lo Yip Tong will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Non-executive directors were not appointed for a specific term. All directors (including non-executive director and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SECURITIES

As at 31st December, 2007, the interests or the short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(1) Long position
Shares of the Company

Name of directors	Number of ordinary shares held: Personal interest	Held by controlled corporation	Total	Percentage of issued shares
Mr. Pang Tak Chung *(Note)*	134,734,708	195,646,500	330,381,208	58.23%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. John Cyril Fletcher	60,000	–	60,000	0.01%
Mr. Robert Keith Davies	21,104,292	–	21,104,292	3.72%

Note:

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

Share options

Particulars of the share option scheme of the Company are set out in note 34 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2007 and 31st December, 2007.

(2) Shares in subsidiaries

As at 31st December, 2007, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and a controlled corporation, World Producer Limited, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 31st December, 2007, none of the directors and chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the year, 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 associate corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests in Securities" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the directors and their respective associates has any competing interests which require to be disclosed pursuant to Rule 8.10 of the Listing Rules during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2007, so far as known to any director of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under section 336 of the SFO as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Number of ordinary shares held	Percentage of issued shares
Golik Investments Ltd.	195,646,500	34.48%

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 31st December, 2007, 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate amount of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 36% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 12% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers or suppliers.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report

EMOLUMENT POLICY

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, the Board confirms that the Company has maintained during the year the amount of public float as required under the Listing Rules.

CONNECTED TRANSACTION

Tianjin Golik – The First PC Steel Strand Co., Ltd. ("Tianjin Golik"), a 51% subsidiary of the Company, had entered into a sale and purchase agreement with Tianjin Steel Wire and Cable Group Ltd. ("Tianjin Steel Wire") on 10th November, 2007 in relation to the purchase of a OTT machine from Tianjin Steel Wire for a consideration of RMB2,780,000 (the "Purchase") to increase production capacity.

As Tianjin Steel Wire is a 47% substantial shareholder of Tianjin Golik and hence a connected person of the Company, the Purchase contemplated under the sale and purchase agreement constituted connected transaction of the Company, in respect of which an announcement containing details of the Purchase dated 14th November, 2007 has been published.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Pang Tak Chung
Chairman

18th April, 2008

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF GOLIK HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Golik Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 71, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18th April, 2008

Consolidated Income Statement

For the year ended 31st December, 2007

	NOTES	2007 ***HK$'000***	2006 *HK$'000*
Turnover	*5*	**2,728,040**	2,053,862
Cost of sales		**(2,510,794)**	(1,787,956)
Gross profit		**217,246**	265,906
Other income	*6*	**27,616**	28,133
Interest income		**2,783**	2,905
Selling and distribution costs		**(77,079)**	(69,824)
Administrative expenses		**(113,087)**	(128,905)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments		**4,875**	(11,906)
Increase (decrease) in fair value on investment properties		**2,910**	(500)
Discount on acquisition of additional interest in a subsidiary		**–**	5,696
Impairment loss on goodwill		**(1,500)**	(6,500)
Finance costs	*7*	**(35,076)**	(32,208)
Share of results of jointly controlled entities		**176**	244
Share of results of associates		**2,150**	1,454
Profit before taxation		**31,014**	54,495
Income taxes	*8*	**(807)**	(6,236)
Profit for the year	*9*	**30,207**	48,259
Attributable to:			
Equity holders of the Company		**27,585**	41,064
Minority interests		**2,622**	7,195
		30,207	48,259
Dividend	*12*		
Paid		**12,482**	11,347
Proposed		**6,808**	12,482
		HK cents	*HK cents*
Earnings per share	*13*		
Basic		**4.86**	7.24

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	2007 HK$'000	2006 HK$'000
Non-current Assets			
Goodwill	14	**5,563**	6,994
Investment properties	15	**17,310**	25,900
Property, plant and equipment	16	**225,077**	239,905
Prepaid lease payments	17	**33,276**	47,911
Interests in jointly controlled entities	18	**1,779**	1,603
Interests in associates	19	**8,857**	6,707
Long-term receivables	20	**2,356**	155
Rental and other deposits		**1,368**	1,091
Deposits paid for acquisition of property, plant and equipment		**10,524**	–
		306,110	330,266
Current Assets			
Inventories	21	**325,489**	298,222
Trade and other receivables	22	**644,722**	453,074
Amounts due from jointly controlled entities	23	**7,009**	6,962
Amount due from an associate	24	**527**	494
Prepaid lease payments	17	**837**	1,187
Income tax recoverable		**2,258**	141
Pledged bank deposits	25	**6,846**	23,707
Bank balances and cash	26	**163,279**	143,481
		1,150,967	927,268
Assets classified as held for sale	27	**22,484**	–
		1,173,451	927,268
Current Liabilities			
Trade and other payables	28	**248,232**	194,496
Amounts due to minority shareholders	29	**3,779**	2,791
Income tax payable		**1,496**	3,561
Derivative financial instruments	30	**13**	322
Bank borrowings	31	**640,417**	485,150
Obligations under finance leases	32	**2,340**	3,110
Bank overdrafts – unsecured		**738**	532
		897,015	689,962
Net Current Assets		**276,436**	237,306
		582,546	567,572

Consolidated Balance Sheet

At 31st December, 2007

	NOTES	**2007** **HK$'000**	2006 HK$'000
Capital and Reserves			
Share capital	*33*	**56,736**	56,736
Share premium and reserves		**427,063**	402,801
Equity attributable to equity holders of the Company		**483,799**	459,537
Minority interests		**79,344**	82,600
Total Equity		**563,143**	542,137
Non-current Liabilities			
Deferred tax liabilities	*35*	**11,163**	11,735
Bank borrowings	*31*	**5,838**	9,613
Obligations under finance leases	*32*	**2,402**	4,087
		19,403	25,435
		582,546	567,572

The consolidated financial statements on pages 19 to 71 were approved and authorised for issue by the Board of Directors on 18th April, 2008 and are signed on its behalf by:

PANG TAK CHUNG	**HO WAI YU, SAMMY**
CHAIRMAN	*VICE CHAIRMAN*

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Property revaluation reserve**	**Exchange reserve**	**PRC statutory reserve**	**Retained profits**	**Total**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	56,736	318,118	19,566	2,326	1,820	27,219	425,785	102,833	528,618
Exchange difference arising from the translation of foreign operations recognised directly in equity	–	–	–	4,035	–	–	4,035	1,266	5,301
Profit for the year	–	–	–	–	–	41,064	41,064	7,195	48,259
Total recognised profit for the year	–	–	–	4,035	–	41,064	45,099	8,461	53,560
Retained profits transferred to revenue reserve	–	–	–	–	1,569	(1,569)	–	–	–
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(15,944)	(15,944)
Dividend paid	–	–	–	–	–	(11,347)	(11,347)	–	(11,347)
Acquisition of additional interest in a subsidiary from minority shareholder	–	–	–	–	–	–	–	(12,750)	(12,750)
At 31st December, 2006	56,736	318,118	19,566	6,361	3,389	55,367	459,537	82,600	542,137
Exchange difference arising from the translation of foreign operations recognised directly in equity	–	–	–	9,159	–	–	9,159	2,041	11,200
Profit for the year	–	–	–	–	–	27,585	27,585	2,622	30,207
Total recognised profit for the year	–	–	–	9,159	–	27,585	36,744	4,663	41,407
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(6,900)	(6,900)
Dividend paid	–	–	–	–	–	(12,482)	(12,482)	–	(12,482)
Acquisition of additional interest in a subsidiary from minority shareholder	–	–	–	–	–	–	–	(1,019)	(1,019)
At 31st December, 2007	**56,736**	**318,118**	**19,566**	**15,520**	**3,389**	**70,470**	**483,799**	**79,344**	**563,143**

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

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**31,014**	54,495
Adjustments for:		
Amortisation of prepaid lease payments	**1,199**	1,187
Change in fair value of derivative financial instruments	**(309)**	326
Write down of inventories	**4,080**	2,200
Depreciation	**35,838**	35,861
(Write back of) allowance for bad and doubtful debts	**(4,634)**	3,630
Interest income	**(2,783)**	(2,905)
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	**(4,875)**	11,906
(Increase) decrease in fair value of investment properties	**(2,910)**	500
Discount on acquisition of additional interest in a subsidiary	**–**	(5,696)
Impairment loss on goodwill	**1,500**	6,500
Unrealised foreign exchange gain	**(2,527)**	(1,990)
Finance costs	**35,076**	32,208
Share of results of jointly controlled entities	**(176)**	(244)
Share of results of associates	**(2,150)**	(1,454)
Operating cash flows before movements in working capital	**88,343**	136,524
(Increase) decrease in inventories	**(27,073)**	11,018
Increase in trade and other receivables	**(179,247)**	(30,417)
Increase in amount due from jointly controlled entities	**(47)**	(48)
(Increase) decrease in amount due from an associate	**(33)**	188
Increase (decrease) in trade and other payables	**49,151**	(754)
Cash (used in) generated from operations	**(68,906)**	116,511
Hong Kong Profits Tax paid	**(3,515)**	(2,690)
Taxation outside Hong Kong paid	**(2,274)**	(921)
Hong Kong Profits Tax refunded	**2**	79
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(74,693)**	112,979

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(24,336)**	(12,491)
Deposits paid for acquisition of property, plant and equipment	**(10,524)**	–
Decrease in pledged bank deposits	**18,587**	735
Advance of loans	**(250)**	–
Proceeds from disposal of property, plant and equipment and prepaid lease payments	**5,543**	2,097
Proceeds from disposal of investment properties	**11,500**	–
Repayment of loans advanced	**1,036**	3,836
Interest received	**2,758**	2,967
Consideration on acquisition of additional interest in a subsidiary	**(1,088)**	(4,235)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**3,226**	(7,091)
FINANCING ACTIVITIES		
Bank loans raised	**180,600**	184,738
Mortgage loans raised	**–**	12,000
Repayment of bank loans	**(182,673)**	(204,584)
Interest paid	**(34,480)**	(32,753)
Dividend paid to minority shareholders of subsidiaries	**(6,900)**	(15,944)
Dividend paid	**(12,482)**	(11,347)
Net borrowing (repayment) of trust receipt loans	**148,528**	(3,710)
Repayment of mortgage loans	**(2,217)**	(6,475)
Repayment of obligations under finance leases	**(3,226)**	(7,410)
Advance from (repayment to) minority shareholders	**864**	(1,367)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**88,014**	(86,852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,547**	19,036
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**142,949**	121,940
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3,045**	1,973
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**162,541**	142,949
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**163,279**	143,481
Bank overdrafts	**(738)**	(532)
	162,541	142,949

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

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").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information to the annual report.

The principal activities of the Group are manufacturing and sales of steel and metal products and construction materials.

The consolidated financial statements are presented in Hong Kong dollars which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) – Int 12	Service Concession Arranagements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interest in a subsidiary

On acquisition of additional interest in a subsidiary, the excess of the cost of acquisition over the carrying values of the underlying assets, liabilities and contingent liabilities attributable to the additional interest in a subsidiary is debited to goodwill.

Discount arising on the acquisition of additional interest in a subsidiary represents the excess of the carrying value of the net assets attributable to the additional interest in a subsidiary over the cost of the acquisition and is credited to consolidated income statement.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on acquisitions of net assets and operations of another entity prior to 1st January, 2001 previously recognised in reserves represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition has been transferred to the retained profits as at 1st January, 2005.

Previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st January, 2005 onwards and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the associate.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rentals invoiced in advance from properties or assets held under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment properties is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Property, plant and equipment, other than land and buildings, assets under installation and construction in progress, are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost or valuation of property, plant and equipment other than assets under installation and construction in progress over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	10% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

Plant and machinery and equipment held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group.

Motor vehicles held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

Assets under installation and construction in progress are stated at cost less any accumulated impairment losses. No provision for depreciation is made on assets under installation and construction in progress until such time as the relevant assets are completed and ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses-other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revalued decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revalued increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Other than the cost of inventories of concrete products and printing materials which are calculated using the weighted average cost method, the cost of all other products of the Group is calculated using the first-in first-out method.

Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Assets classified as held for sale are measured at the lower of the assets' carrying amount and fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as loans and receivables.

Loans and receivables (including long-term receivables, trade and other receivables, bank deposits and balances, and amounts due from jointly controlled entities and an associate)

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the estimated future cash flows have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables *(continued)*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of long-term receivables, trade receivables, amounts due from jointly controlled entities and an associate, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities (including trade and other payables, borrowings and amounts due to minority shareholders)

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments

Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading and measured at fair value. Changes in the fair value of such derivatives are recognised in profit or loss as they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement pension schemes for staff in the PRC are charged as an expense when employees have rendered service entitling them to the contribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, if any, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2007, the carrying amount of goodwill is HK$5,563,000 (2006: HK$6,994,000) (net of accumulated impairment loss of HK$28,792,000 (2006: HK$27,294,000)). Details of the recoverable amount calculation are disclosed in note 14.

Income taxes

As at 31 December 2007, a deferred tax asset of HK$7,737,000 (2006: HK$7,375,000) in relation to unused tax losses has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses of HK$664,217,000 (2006: HK$658,896,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Business segments

For management purposes, the Group is organised into four operating divisions – manufacturing of steel and metal products, sales of steel and metal products, manufacturing of construction materials and sales of construction materials. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2007

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	1,167,631	121,704	291,273	951,389	196,043	–	2,728,040
Inter-segment sales	16,018	25,754	542	42,235	–	(84,549)	–
Total turnover	1,183,649	147,458	291,815	993,624	196,043	(84,549)	2,728,040

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

SEGMENT RESULT	38,712	3,833	23,266	3,079	3,567	1,551	74,008
Unallocated other income							4,970
Unallocated corporate expenses							(13,714)
Impairment loss on goodwill	–	–	(200)	–	(1,300)	–	(1,500)
Finance costs							(35,076)
Share of results of jointly controlled entities	–	–	–	–	176	–	176
Share of results of associates	2,150	–	–	–	–	–	2,150
Profit before taxation							31,014
Income taxes							(807)
Profit for the year							30,207

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2007 *(continued)*

Consolidated Balance Sheet

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	602,650	49,358	211,449	271,256	114,811	(21,253)	1,228,271
Interests in jointly controlled entities	–	–	–	–	1,779	–	1,779
Interests in associates	8,857	–	–	–	–	–	8,857
Amounts due from jointly controlled entities	–	1,513	–	–	5,496	–	7,009
Amount due from an associate	527	–	–	–	–	–	527
Unallocated corporate assets							233,118
Consolidated total assets							1,479,561
LIABILITIES							
Segment liabilities	94,826	10,186	65,990	84,483	14,498	(20,844)	249,139
Unallocated corporate liabilities							667,279
Consolidated total liabilities							916,418

Other information

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	14,329	62	5,078	243	2,215	1,362	23,289
Depreciation	14,278	461	13,120	56	2,782	5,141	35,838
Amortisation of prepaid lease payments	536	–	567	–	–	96	1,199
Allowance for (write back of) bad and doubtful debts	561	246	(3,349)	(2,900)	480	328	(4,634)
Write down of (reversal of write down of) inventories	(416)	–	700	2,000	1,796	–	4,080
Increase in fair value on investment properties	–	–	–	–	–	(2,910)	(2,910)
Loss (gain) on disposal of property, plant and equipment	128	–	(5)	(4,891)	(16)	(91)	(4,875)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2006

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	1,056,011	88,505	252,423	470,961	185,962	–	2,053,862
Inter-segment sales	11,508	14,832	901	51,158	–	(78,399)	–
Total turnover	1,067,519	103,337	253,324	522,119	185,962	(78,399)	2,053,862

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

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT RESULT	62,780	5,036	5,250	31,629	6,975	(470)	111,200
Unallocated other income							5,212
Unallocated corporate expenses							(30,603)
Impairment loss on goodwill	–	–	(500)	–	(6,000)	–	(6,500)
Finance costs							(32,208)
Discount on acquisition of additional interest in a subsidiary	5,696	–	–	–	–	–	5,696
Share of results of jointly controlled entities	–	–	–	–	244	–	244
Share of results of associates	1,454	–	–	–	–	–	1,454
Profit before taxation							54,495
Income taxes							(6,236)
Profit for the year							48,259

Consolidated Balance Sheet

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	578,534	42,241	194,687	105,773	112,343	(25,579)	1,007,999
Interests in jointly controlled entities	–	–	–	–	1,603	–	1,603
Interests in associates	6,707	–	–	–	–	–	6,707
Amounts due from jointly controlled entities	–	1,505	–	–	5,457	–	6,962
Amount due from an associate	494	–	–	–	–	–	494
Unallocated corporate assets							233,769
Consolidated total assets							1,257,534
LIABILITIES							
Segment liabilities	116,127	14,271	48,468	29,236	9,674	(24,758)	193,018
Unallocated corporate liabilities							522,379
Consolidated total liabilities							715,397

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2006 *(continued)*

Other information

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	4,073	–	4,245	41	10,783	75	19,217
Depreciation	14,120	1,298	12,552	57	1,872	5,962	35,861
Amortisation of prepaid lease payments	524	–	567	–	–	96	1,187
Allowance for (write back of) bad and doubtful debts	352	47	(610)	3,832	(20)	29	3,630
Write down of inventories	–	–	500	1,200	500	–	2,200
Decrease in fair value on investment properties	–	–	–	–	–	500	500
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(709)	(86)	13	–	(37)	12,725	11,906

Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	**1,582,149**	1,401,131
Other regions in the PRC	**728,823**	586,412
Australia	**66,802**	46,290
Macau	**309,782**	6,195
Others	**40,484**	13,834
	2,728,040	2,053,862

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments *(continued)*

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**635,924**	491,952	**5,960**	3,130
Other regions in the PRC	**582,746**	505,716	**17,329**	16,074
Australia	**9,601**	10,331	**–**	13
	1,228,271	1,007,999	**23,289**	19,217

6. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Included in other income are:		
Gross rental income from investment properties	**651**	627
Less: direct operating expenses from investment properties that generated rental income during the year	**(61)**	(112)
Net rental income from investment properties	**590**	515
Rental income from property, plant and equipment and prepaid lease payments	**1,357**	1,442
	1,947	1,957
Change in fair value of derivative financial instruments	**(3,079)**	(1,004)

7. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**34,656**	31,753
Finance leases	**420**	455
	35,076	32,208

8. INCOME TAXES

	2007	2006
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	**1,338**	4,900
Outside Hong Kong	**1,988**	1,950
	3,326	6,850
Overprovision in prior years		
Hong Kong	**(1,653)**	(614)
Outside Hong Kong	**(246)**	–
	1,427	6,236
Deferred tax *(note 35)*		
Current year	**(620)**	–
	807	6,236

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

8. INCOME TAXES *(continued)*

The taxation for the year can be reconciled from taxation based on profit per the consolidated income statement as follows:

	Hong Kong		PRC and others		Total	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation	**27,202**	51,346	**3,812**	3,149	**31,014**	54,495
Domestic income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the domestic income tax rate	**4,760**	8,986	**1,258**	1,039	**6,018**	10,025
Tax effect of share of results of jointly controlled entities and associates	**(407)**	(297)	**–**	–	**(407)**	(297)
Tax effect of expenses not deductible for tax purpose	**431**	1,349	**251**	50	**682**	1,399
Tax effect of income not taxable for tax purpose	**(1,343)**	(402)	**(218)**	(1)	**(1,561)**	(403)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	**(1,894)**	(5,344)	**–**	–	**(1,894)**	(5,344)
Tax effect of tax losses not recognised	**5,255**	4,764	**3,400**	2,472	**8,655**	7,236
Tax effect of utilisation of tax loss previously not recognised	**(5,461)**	(7,105)	**(1,299)**	(998)	**(6,760)**	(8,103)
Tax effect of other deductible temporary difference not recognised	**–**	683	**–**	324	**–**	1,007
Tax effect of utilisation of other deductible temporary difference previously not recognised	**(508)**	–	**–**	–	**(508)**	–
Effect of tax exemption granted to PRC subsidiaries	**–**	–	**(472)**	(357)	**(472)**	(357)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	–	**(170)**	–	**(170)**	–
Others	**(114)**	2,223	**(763)**	(579)	**(877)**	1,644
Overprovision in prior years	**(1,653)**	(571)	**(246)**	–	**(1,899)**	(571)
Income taxes for the year	**(934)**	4,286	**1,741**	1,950	**807**	6,236

Details of deferred taxation are set out in note 35.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

9. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**1,199**	1,187
Auditor's remuneration		
Current year	**2,993**	3,053
Underprovision in prior years	**378**	625
Cost of inventories recognised as expense including write down of inventories of HK$4,080,000 (2006: HK$2,200,000)	**2,510,794**	1,787,956
Depreciation	**35,838**	35,861
Minimum lease payments for operating leases in respect of		
Land and buildings	**16,178**	14,790
Plant and machinery	**1,440**	1,440
	17,618	16,230
Net exchange loss	**116**	1,522
Staff costs including directors' emoluments and contributions to retirement benefits scheme	**98,527**	99,565
(Write back of) allowance for bad and doubtful debts, net	**(4,634)**	3,630

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,072,000 (2006: HK$2,381,000) are included under staff costs.

Of the consolidation profit for the year of HK$30,207,000 (2006:HK$48,259,000), a profit of HK$2,927,000 (2006: a loss of HK$13,663,000) has been dealt with in the financial statements of the Company.

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

	Pang Tak Chung HK$'000	Ho Wai Yu, Sammy HK$'000	John Cyril Fletcher HK$'000	Robert Keith Davies HK$'000	Yu Kwok Kan, Stephen HK$'000	Chan Yat Yan HK$'000	Lo Yip Tong HK$'000	2007 Total HK$'000
Fees	–	–	–	83	105	105	105	398
Other emoluments								
Salaries and other benefits	4,136	2,508	1,300	–	–	–	–	7,944
Contributions to retirement benefits schemes	163	137	46	–	–	–	–	346
	4,299	2,645	1,346	83	105	105	105	8,688

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For the year ended 31st December, 2007

10. DIRECTORS' EMOLUMENTS *(continued)*

	Pang Tak Chung *HK$'000*	Ho Wai Yu, Sammy *HK$'000*	John Cyril Fletcher *HK$'000*	Robert Keith Davies *HK$'000*	Yu Kwok Kan, Stephen *HK$'000*	Chan Yat Yan *HK$'000*	Lo Yip Tong *HK$'000*	2006 Total *HK$'000*
Fees	–	–	–	85	105	105	105	400
Other emoluments								
Salaries and other benefits	3,927	2,288	1,606	–	–	–	–	7,821
Contributions to retirement benefits schemes	153	127	55	–	–	–	–	335
	4,080	2,415	1,661	85	105	105	105	8,556

No director waived any emoluments for the two years ended 31st December, 2007.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two directors (2006: three directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining three individuals (2006: two individuals) are as follows:

	2007 ***HK$'000***	2006 *HK$'000*
Salaries and other benefits	**4,789**	4,344
Contributions to retirement benefits scheme	**36**	24
	4,825	4,368

Their emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK$1,000,001 – HK$1,500,000	**2**	–
HK$1,500,001 – HK$2,000,000	**–**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$2,500,001 – HK$3,000,000	**–**	1
	3	2

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For the year ended 31st December, 2007

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Dividend paid:		
Final dividend in respect of 2006, approved and paid		
– 2.2 HK cents per ordinary share	**12,482**	11,347
Dividend proposed:		
Final dividend proposed for the year		
– 1.2 HK cents (2006: 2.2 HK cents) per ordinary share	**6,808**	12,482

The directors recommend the payment of a final dividend of 1.2 HK cents per share for the year ended 31st December, 2007 and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the year and on the 567,362,500 (2006: 567,362,500) ordinary shares in issue.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2006 and at 31st December, 2006	34,288
Acquired on acquisition of additional interest in a subsidiary	69
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007	**34,355**
IMPAIRMENT	
At 1st January, 2006	20,794
Impairment loss recognised	6,500
At 31st December, 2006	27,294
Impairment loss recognised	1,500
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007	**28,792**
CARRYING AMOUNT	
At 31st December, 2007	**5,563**
At 31st December, 2006	6,994

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For the year ended 31st December, 2007

14. GOODWILL *(continued)*

For the purposes of impairment testing, goodwill is allocated to two individual cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amounts of goodwill had been allocated to a subsidiary of manufacturing of construction materials segment (Unit A) and certain subsidiaries in other operations segment (Unit B) of HK$1,098,000 (2006: HK$1,298,000) and HK$4,465,000 (2006: HK$5,696,000) respectively.

During the year ended 31st December, 2007, the Group recognised an impairment loss of HK$200,000 (2006: HK$500,000) for Unit A and HK$1,300,000 (2006: HK$6,000,000) for Unit B due to increased competition in the business.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses the estimation of the cash flow projections based on financial budgets approved by management covering a 5-year period and extrapolate the budgets using a steady growth rate of 3% for the subsequent 5 years, and a discount rate of 7% (2006: 9%). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 7% (2006: 9%). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

15. INVESTMENT PROPERTIES

	2007 HK$'000	2006 HK$'000
FAIR VALUE		
At beginning of the year	**25,900**	26,400
Disposal	**(11,500)**	–
Increase (decrease) in fair value	**2,910**	(500)
At end of the year	**17,310**	25,900

The Group's investment properties comprise:

	2007 HK$'000	2006 HK$'000
Properties held under medium-term leases:		
In Hong Kong	**14,660**	11,900
Other regions in the PRC	**2,650**	2,500
Properties held under long leases in Hong Kong	**–**	11,500
	17,310	25,900

The fair value of the Group's investment properties as at 31st December, 2007 and 31st December, 2006 have been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties of the Group which are held under operating leases are measured using the fair value model and are classified and accounted for as investment properties.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION								
At 1st January, 2006	94,042	22,873	15,922	50,348	294,010	12	4,156	481,363
Exchange differences	449	37	101	1,141	3,543	1	54	5,326
Additions	225	36	763	6,371	11,333	318	171	19,217
Disposals	–	–	(403)	(1,260)	(18,063)	–	–	(19,726)
Reclassification	–	–	–	–	1,547	(113)	(1,434)	–
At 31st December, 2006	94,716	22,946	16,383	56,600	292,370	218	2,947	486,180
Exchange differences	969	80	227	2,688	7,983	16	23	11,986
Additions	1,748	1,143	1,011	4,294	9,002	5,108	983	23,289
Disposals	(261)	(492)	(379)	(1,817)	(723)	–	–	(3,672)
Reclassification	–	87	–	–	1,532	(1,454)	(165)	–
Transfer to assets classified as held for sale	(9,370)	(264)	–	–	–	–	–	(9,634)
At 31st December, 2007	**87,802**	**23,500**	**17,242**	**61,765**	**310,164**	**3,888**	**3,788**	**508,149**
Comprising:								
At cost	2,392	23,500	17,242	61,765	310,164	3,888	3,788	422,739
At valuation-2004	85,410	–	–	–	–	–	–	85,410
	87,802	**23,500**	**17,242**	**61,765**	**310,164**	**3,888**	**3,788**	**508,149**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2006	7,324	17,588	13,392	29,650	143,636	–	2,638	214,228
Exchange differences	45	7	68	662	1,501	–	–	2,283
Provided for the year	7,349	1,120	972	5,620	20,800	–	–	35,861
Eliminated on disposals	–	–	(376)	(799)	(4,922)	–	–	(6,097)
At 31st December, 2006	14,718	18,715	14,056	35,133	161,015	–	2,638	246,275
Exchange differences	161	23	166	1,645	3,902	–	–	5,897
Provided for the year	7,628	1,090	952	5,773	20,395	–	–	35,838
Eliminated on disposals	(261)	(472)	(368)	(1,195)	(708)	–	–	(3,004)
Transfer to assets classified as held for sale	(1,670)	(264)	–	–	–	–	–	(1,934)
At 31st December, 2007	**20,576**	**19,092**	**14,806**	**41,356**	**184,604**	**–**	**2,638**	**283,072**
CARRYING VALUES								
At 31st December, 2007	**67,226**	**4,408**	**2,436**	**20,409**	**125,560**	**3,888**	**1,150**	**225,077**
At 31st December, 2006	79,998	4,231	2,327	21,467	131,355	218	309	239,905

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$783,000 (2006: HK$523,000) and HK$7,428,000 (2006: HK$10,400,000) respectively in respect of assets held under finance leases.

Land and buildings were revalued as at 31st December, 2004 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. Messrs. LCH (Asia-Pacific) Surveyors Limited are not connected to the Group.

As at 31st December, 2007, the director considered that the fair values of the buildings do not differ materially from the respective carrying amounts.

At 31st December, 2007, if land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and accumulated impairment losses of approximately HK$59,214,000 (2006: HK$70,429,000).

17. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**17,402**	32,995
Land use right in the PRC under medium-term lease	**16,711**	16,103
	34,113	49,098
Analysed for reporting purposes as:		
Current asset	**837**	1,187
Non-current asset	**33,276**	47,911
	34,113	49,098

Prepaid lease payments with carrying values of HK$14,784,000 (2006: nil) have been transferred to assets classified as held for sale.

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For the year ended 31st December, 2007

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007 HK$'000	2006 HK$'000
Cost of investments (unlisted)	**1,257**	1,257
Share of post-acquisition profits	**522**	346
	1,779	1,603

Particulars of the jointly controlled entities as at 31st December, 2007 and 2006 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Class of shares	Percentage of ownership attributable to the Group	Principal activities
Kunshan Rosathal Printing Ink Limited	Equity joint venture	PRC	Registered capital	33.25%	Manufacturing and sales of printing ink
Hi-Net Business Limited	Incorporated	British Virgin Islands	Ordinary shares	50%	Investment holding

The summarised financial information in respect of the Group's interests in jointly controlled entities is set out below:

	2007 HK$'000	2006 HK$'000
Non-current assets	**1,915**	2,027
Current assets	**4,480**	4,264
Current liabilities	**(3,804)**	(3,942)
	2,591	2,349
Income	**4,747**	4,830
Expenses	**(4,571)**	(4,586)
Profit for the year	**176**	244

19. INTERESTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Cost of investments (unlisted)	**5,449**	5,449
Share of net post-acquisition profits	**4,822**	2,672
Less: Unrealised gain on disposal of a subsidiary in prior years	**(1,414)**	(1,414)
	8,857	6,707

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For the year ended 31st December, 2007

19. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates as at 31st December, 2007 and 2006 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued capital/ registered capital held by the Group	Nature of business
China Rope Holdings Limited	Incorporated	Hong Kong	30%	Investment holding
Bridon Tianjin Rope Ltd.	Equity joint venture	PRC	22.65%	Manufacturing and sales of steel wire ropes for elevators

The summarised financial information in respect of the Group's associates is set out below:

	2007 HK$'000	2006 HK$'000
Non-current assets	**25,679**	21,316
Current assets	**73,830**	53,630
Current liabilities	**(55,346)**	(42,202)
Non-current liabilities	**(1,050)**	(1,750)
	43,113	30,994
Income	**184,202**	103,213
Expenses	**(173,574)**	(96,082)
Income taxes	**(1,122)**	(697)
Profit for the year	**9,506**	6,434

20. LONG-TERM RECEIVABLES

	2007 HK$'000	2006 HK$'000
Building mortgage loan *(note a)*	**170**	256
Other loans *(note b)*	**2,089**	2,788
Trade and other receivables *(note c)*	**3,812**	231
	6,071	3,275
Less: amounts due within one year shown under trade and other receivables	**(3,715)**	(3,120)
Amounts due after one year	**2,356**	155

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

20. LONG-TERM RECEIVABLES *(continued)*

Notes:

(a) The building mortgage loan bear interest at 3% (2006: 3%) above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009. The effective interest rate for the year is 11% (2006: 11%).

(b) Other loans are unsecured, bear fixed interest at 5% to 7% (2006: 4% to 6%) per annum. All are repayable within one year.

(c) The amounts are unsecured, interest free which aged over 120 days and are repayable by monthly instalments up to 2009.

21. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	**158,664**	161,027
Work in progress	**11,328**	10,291
Finished goods	**154,555**	125,374
Supplies	**942**	1,530
	325,489	298,222

22. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables with an aged analysis (by invoice date) as follows:

	2007	2006
	HK$'000	*HK$'000*
0-30 days	**262,918**	160,004
31-60 days	**158,038**	115,961
61-90 days	**80,271**	73,042
91-120 days	**42,258**	29,337
More than 120 days	**32,362**	22,894
	575,847	401,238

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits for each customers. Limits attributed to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$216,633,000 (2006: HK$169,637,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

22. TRADE AND OTHER RECEIVABLES *(continued)*

Ageing of trade receivables (by due date) which are past due but not impaired:

	2007	2006
	HK$'000	*HK$'000*
1-30 days	**121,832**	99,439
31-60 days	**54,312**	38,276
Over 60 days	**40,489**	31,922
Total	**216,633**	169,637

Movement in the allowance for doubtful debts:

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	**41,970**	39,367
Exchange realignment	**483**	268
Impairment losses recognised	**3,028**	6,375
Impairment losses reversed	**(7,662)**	(2,745)
Amounts written off during the year	**(12,895)**	(1,295)
Balance at end of the year	**24,924**	41,970

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$24,924,000 (2006: HK$41,970,000) which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and are repayable on demand.

24. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and is repayable on demand.

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets. The deposits carry fixed interest rate at 0.72% (2006: 1.73% to 2.7%) per annum.

26. BANK BALANCES AND CASH

The amount included deposits with an original maturity of three months or less which carry fixed interest rate of 3.1% (2006: 3.8%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

27. ASSETS CLASSIFIED AS HELD FOR SALE

On 25th April, 2007, Golik Concrete Limited, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Group's leasehold land and building (the "Property") located in Hong Kong under the medium term lease, which are expected to be sold within the next twelve months from the balance sheet date. The consideration for the disposal of the Property to be paid by the independent third party is approximately HK$29,000,000. The proceeds of disposal are expected to exceed the net carrying amount of the Property and, accordingly, no impairment loss has been recognised on reclassification of the Property as held for sale.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**95,259**	75,934
31 – 60 days	**17,602**	11,652
61 – 90 days	**23,275**	4,512
91 – 120 days	**8,895**	1,512
More than 120 days	**22,737**	26,124
	167,768	119,734

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand.

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st December, 2007, the notional amount of outstanding foreign exchange forward contracts to which the Group is committed ranging from US$15,600,000 to US$31,200,000 (2006: US$31,300,000 to US$62,600,000) with the forward exchange rates to sell HK$ and buy US$ at 7.698 to 7.726 (2006: 7.724 to 7.741) based on pre-determined formula. The maturity date of the contracts is ranging from May 2008 to February 2009.

At 31st December, 2007, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of approximately HK$13,000 (2006: HK$322,000). These amounts are based on market prices quoted by banks at the balance sheet date. The gain on change in fair value of the foreign currency forward contracts amounting to HK$3,079,000 (2006: HK$1,004,000) has been recognised in consolidated income statement.

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31. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans	**128,540**	123,359
Mortgage loans	**8,220**	10,437
Trust receipt loans	**509,495**	360,967
	646,255	494,763
Analysed as:		
Secured	**21,570**	85,436
Unsecured	**624,685**	409,327
	646,255	494,763
The bank borrowings are repayable as follows:		
On demand or within one year	**640,417**	485,150
More than one year, but not exceeding two years	**2,510**	3,745
More than two years, but not exceeding three years	**2,645**	2,507
More than three years, but not exceeding four years	**683**	2,668
More than four years, but not exceeding five years	**–**	693
	646,255	494,763
Less: amounts due within one year shown under current liabilities	**(640,417)**	(485,150)
Amounts due after one year	**5,838**	9,613

The average effective borrowing rates are ranging from 4.0% to 7.0% (2006: 5.2% to 8.8%) per annum.

The carrying amounts of the Group's borrowings are analysed as follows:

Denominated in	**Interest rate per annum**	**2007** ***HK$'000***	2006 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2.5%	**500,350**	360,466
United States dollars *(note)*	London Interbank Offered Rate ("LIBOR") plus 1% to 2.5%	**29,492**	34,585
Renminbi	0% to 20% mark up from People's Bank of China ("PBOC") lending rate	**101,453**	49,771
	Fixed Rate 5.6% to 7.6%	**15,698**	49,821
Others *(note)*	HIBOR plus 2.5%	**–**	652
		646,993	495,295

Note: These borrowings are denominated in currencies other than functional currencies of the relevant group entities.

Notes to the Consolidated Financial Statements

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32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**2,536**	3,500	**2,340**	3,110
In the second to fifth year inclusive	**2,489**	4,370	**2,402**	4,087
	5,025	7,870		
Less: future finance charges	**(283)**	(673)		
Present value of lease obligations	**4,742**	7,197	**4,742**	7,197
Less: amounts due within one year shown under current liabilities			**(2,340)**	(3,110)
Amounts due after one year			**2,402**	4,087

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2007, the average effective borrowing rates range from 3.6% to 10% (2006: 4.65% to 10%) per annum. All leases are on a fixed repayment basis.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

33. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2006, 31st December, 2006 and 2007	**1,800,000,000**	**180,000**
Issued and fully paid:		
At 1st January, 2006, 31st December, 2006 and 2007	**567,362,500**	**56,736**

34. SHARE OPTION SCHEME

The share option scheme of the Company was effective on 27th May, 2004 (the "Scheme").

Summary of the Scheme

a. The primary purpose of the Scheme is to provide incentives or rewards to Participants (see below defined) thereunder for their contribution to the Group and any entity in which the Group holds any equity interest ("Invested Entity") and/or to enable the Group and an Invested Entity to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any Invested Entity.

b. The directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants ("Participants"), to take up options to subscribe for shares of HK$0.10 each in the share capital of the Company ("Shares").

   (i) any eligible employee;

   (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

   (iii) any supplier of goods or services to any member of the Group or any Invested Entity;

   (iv) any customer of the Group or any Invested Entity;

   (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and

   (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.

c. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,736,250 Shares which is 10% of the total issued share capital of the Company as at 31st December, 2007. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

34. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

d. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

e. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

f. An offer of grant of an option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A consideration of HK$1 is payable on acceptance of the offer of grant of an option.

g. The subscription price per Share under the Scheme shall be a price determined by the directors, but shall not be lower than the highest of:

   (i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

   (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and

   (iii) the nominal value of a Share.

h. The Scheme has a life of 10 years and will expire on 26th May, 2014.

No share option was granted since the adoption of the Scheme.

35. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated accounting depreciation	Revaluation on properties	Accelerated tax depreciation	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	2,666	(4,348)	(20,483)	10,452	–	(11,713)
Exchange differences	–	(22)	–	–	–	(22)
Credit (charge) to income for the year	256	–	2,821	(3,077)	–	–
At 31st December, 2006	2,922	(4,370)	(17,662)	7,375	–	(11,735)
Exchange differences	–	(48)	–	–	–	(48)
Credit (charge) to income for the year	269	(942)	732	362	199	620
At 31st December, 2007	**3,191**	**(5,360)**	**(16,930)**	**7,737**	**199**	**(11,163)**

For the purposes of balance sheet presentation, deferred tax assets and liabilities have been offset and shown under non-current liabilities.

At the balance sheet date, the Group has unused tax losses of HK$708,458,000 (2006: HK$701,046,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$44,241,000 (2006: HK$42,150,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$664,217,000 (2006: HK$658,896,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$12,830,000 (2006: HK$6,710,000) which will expire within five years.

At the balance sheet date, the Group has deductible temporary differences of HK$30,047,000 (2006: HK$30,740,000) in respect of accelerated accounting depreciation, allowance for doubtful debts and inventories. A deferred tax asset has been recognised in respect of HK$19,370,000 (2006: HK$16,696,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$10,677,000 (2006: HK$14,044,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$771,000 (2006: HK$5,031,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

37. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	2007	2006
	HK$'000	*HK$'000*
Investment properties	**14,660**	23,400
Land and buildings and prepaid lease payments	**18,770**	41,605
Plant and machinery and equipment	**11,302**	13,104
Bank deposits	**6,846**	23,707
	51,578	101,816

38. CONTINGENT LIABILITIES

At the balance sheet date, the Group has provided corporate guarantees to the extent of HK$5,100,000 (2006: HK$4,600,000) to a bank to secure the banking facilities granted to its associates. As at 31st December, 2007, the associates utilised the banking facilities of approximately HK$3,501,000 (2006: HK$3,963,000). Such guarantee will be released by banks upon the expiry of the banking facilities. In the opinion of directors, the fair value of the financial guarantee contracts at the date of inception is not significant.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**12,247**	11,851
In the second to fifth year inclusive	**10,955**	16,680
After five years	**5,274**	14,475
	28,476	43,006
Plant and machinery and equipment:		
Within one year	**–**	720

Operating lease payments represent rentals payable by the Group for certain of its office premises, staff quarters and plant and machinery and equipment. Leases of office premises and staff quarters are negotiated for terms ranging from one to twenty years.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

39. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**690**	1,745
In the second to fifth year inclusive	**–**	2,090
After five years	**–**	493
	690	4,328

All of the properties held have committed tenants for the next one year.

40. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**18,591**	3,134

41. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes at 5% of relevant payroll costs or HK$1,000 per month to the Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

During the year, the Group made retirement benefits scheme contributions of HK$3,688,000 (2006: HK$3,657,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$9,000 (2006: HK$94,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

42. RELATED PARTY TRANSACTIONS

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

	Trade sales		Trade purchases		Rental charges		Acquisition of additional interest in a subsidiary		Acquisition of property, plant and equipment		Payment on behalf of the entities	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
A jointly controlled entity	**–**	–	**5,038**	4,805	**–**	–	**–**	–	**–**	–	**–**	–
Associates	**–**	842	**–**	–	**–**	–	**–**	–	**–**	–	**27**	35
Minority shareholders with significant influence over certain subsidiaries	**–**	–	**–**	–	**155**	147	**1,088**	7,054	**2,865**	–	**–**	–

Compensation of key management personnel

The Group's key management personnel are all directors, details of their remuneration are disclosed in note 10.

Their remuneration is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 31, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the repayment of existing debt, if necessary.

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**782,144**	597,321
Financial liabilities		
At amortised cost	**883,934**	682,450
Derivative financial instruments	**13**	322
	883,947	682,772

(b) Financial risk management objectives and policies

The Group's major financial instruments include long-term receivables, trade and other receivables, bank deposits and balances, amounts due from jointly controlled entities and an associate, trade and other payables, borrowings and amounts due to minority shareholders. Details of the financial instruments are disclosed in respective notes.

The management monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

44. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also have trade and receivables, trade and other payables and borrowings denominated in foreign currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong dollars	**4,733**	4,641	**–**	–
United States dollars	**41,798**	33,781	**54,960**	83,319
Renminbi	**13,151**	11,912	**7,339**	9,505
Others	**243**	1,118	**126**	652

Foreign currency sensitivity

The Group is mainly exposed to the currency of Hong Kong dollars, United States dollars and Renminbi.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in profit for the year where the functional currencies of the relevant group entities strengthens against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year.

	Profit for the year	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong dollars	**(237)**	(232)
United States dollars	**658**	2,477
Renminbi	**(291)**	(120)

In management's opinion, the sensitivity analysis is unrepresentative of the foreign exchange risk inherent in the financial assets and financial liabilities as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

44. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on building mortgage loan and variable-rate bank and other borrowings and obligations under finance leases (see notes 31 and 32 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, LIBOR and PBOC arising from the Group's borrowings denominated in Hong Kong dollars, United States dollars and Renminbi.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for building mortgage loan, variable-rate bank and other borrowings and obligations under finance leases. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was existed for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would decrease/increase by HK$3,176,000 (2006: decrease/increase by HK$2,261,000).

(e) Credit risk management

As at 31st December, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 38.

In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

44. FINANCIAL INSTRUMENTS *(continued)*

(f) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31st December, 2007, the Group has available unutilised overdraft and short and medium-term bank loan facilities of approximately HK$171,373,000 (2006: HK$306,167,000) respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settle on a net basis, the management consider the risk associated with the derivative instruments has no significant effects on the Group's cash flows.

	Weighted average effective interest rate %	0-3 months *HK$'000*	4-6 months *HK$'000*	7-12 months *HK$'000*	1-2 year *HK$'000*	2-3 years *HK$'000*	3-5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount at 31/12/2007 *HK$'000*
2007									
Non-derivative instruments									
Trade and other payables	–	208,883	24,177	102	–	–	–	233,162	233,162
Bank and other borrowings									
– Fixed interest rate	6.63	2,395	9,960	3,738	–	–	–	16,093	15,698
– Variable interest rate	6.02	197,414	383,061	57,146	2,720	2,740	688	643,769	631,295
Amount due to minority shareholders	–	3,779	–	–	–	–	–	3,779	3,779
Obligations under finance lease									
– Fixed interest rate	7.02	67	67	134	262	216	23	769	692
– Variable interest rate	6.33	604	601	1,064	1,922	65	–	4,256	4,050
		413,142	417,866	62,184	4,904	3,021	711	901,828	888,676

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

44. FINANCIAL INSTRUMENTS *(continued)*

(f) Liquidity risk management *(continued)*

	Weighted average effective interest rate	0-3 months	4-6 months	7-12 months	1-2 year	2-3 years	3-5 years	Total undiscounted cash flows	Carrying amount at 31/12/2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006									
Non-derivative instruments									
Trade and other payables	–	183,789	575	–	–	–	–	184,364	184,364
Bank and other borrowings									
– Fixed interest rate	6.82	25,347	9,496	16,208	–	–	–	51,051	49,821
– Variable interest rate	7.13	220,012	209,238	13,739	4,101	2,717	3,461	453,268	445,474
Amount due to minority shareholders	–	2,791	–	–	–	–	–	2,791	2,791
Obligations under finance lease									
– Fixed interest rate	9.68	99	25	9	19	13	10	175	162
– Variable interest rate	6.94	842	842	1,683	2,305	1,957	66	7,695	7,035
		432,880	220,176	31,639	6,425	4,687	3,537	699,344	689,647

(g) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2007	2006	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Investment holding and trading of steel and metal products
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares**	**95%**	95%	Investment holding and sales of printing materials, spare parts and machines
Ding Cheong Limited	Incorporated	Hong Kong	HK$500,000 Ordinary shares	**55%**	55%	Investment holding and sales of construction materials
Ding Cheong (Jiangmen) Metal Mfg. Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$3,000,000 Registered capital	**55%**	55%	Manufacturing and sales of metal products
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**77%**	77%	Decoiling centers
G.F.T.Z. Golik Metal Trading Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$5,000,000 Registered capital	**100%**	80%	Sales of steel and metal products
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of warehouse services
Golik Metal Company Limited	Incorporated	Hong Kong	HK$750,000,000 Ordinary shares	**100%**	100%	Investment and properties holding
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$5,135,000 Non-voting deferred shares**	**100%**	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	**100%**	100%	Manufacturing and sales of welded wire mesh and metal products

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
				2007	2006	
Golik Properties Limited *	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK$80,000,000 Ordinary shares	**100%**	100%	Investment holding and sales of steel bars and metal products
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK$10,000,000 Ordinary shares	**51%**	51%	Manufacturing and sales of PVC plastic products
Stahl Trading Pty Ltd.	Incorporated	Australia	AUS$100 Ordinary shares	**100%**	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of construction materials
Tianjin Golik – The First PC Steel Strand Co., Ltd.	Equity joint venture	PRC	RMB49,000,000 Registered capital	**51%**	51%	Manufacturing and sales of pre-stressed steel wires
Worldlight Group Limited *	Incorporated	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
鶴山恒基鋼絲制品有限公司	Wholly foreign owned enterprise	PRC	US$3,880,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire products and steel ropes
廣東水利混凝土有限公司	Wholly foreign owned enterprise	PRC	RMB27,800,000 Registered capital	**100%**	100%	Operating a concrete batching plant
鶴山高力金屬制品有限公司	Wholly foreign owned enterprise	PRC	US$1,973,687 Registered capital	**100%**	100%	Manufacturing and sales of steel wire mesh and metal products

* Subsidiaries held directly by the Company

** The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

Note:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

Financial Summary

	For the year ended 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover					
Continuing operations	2,128,301	2,554,547	2,278,449	2,053,862	**2,728,040**
Discontinued operations	34,178	–	–	–	**–**
	2,162,479	2,554,547	2,278,449	2,053,862	**2,728,040**
Operating profit					
Continuing operations	68,023	585	92,351	85,005	**63,764**
Discontinued operations	24,527	–	–	–	**–**
Finance costs	(27,850)	(27,079)	(31,066)	(32,208)	**(35,076)**
(Loss) gain on disposal of subsidiaries/discontinued operations	(23,088)	(313)	2,406	–	**–**
Share of results of jointly controlled entities	(148)	190	60	244	**176**
Share of results of associates	–	–	1,218	1,454	**2,150**
Profit (loss) before taxation	41,464	(26,617)	64,969	54,495	**31,014**
Income taxes	(8,009)	(3,708)	(8,351)	(6,236)	**(807)**
Profit (loss) for the year	33,455	(30,325)	56,618	48,259	**30,207**

ASSETS AND LIABILITIES

	At 31st December,				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000* (restated)	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	1,487,350	1,321,500	1,255,878	1,257,534	**1,479,561**
Total liabilities	(957,886)	(837,780)	(727,260)	(715,397)	**(916,418)**
	529,464	483,720	528,618	542,137	**563,143**
Equity attributable to equity holders of the Company	424,695	376,696	425,785	459,537	**483,799**
Minority interests	104,769	107,024	102,833	82,600	**79,344**
	529,464	483,720	528,618	542,137	**563,143**

The results and the summary of the assets and liabilities of the Group for the year ended 31st December, 2003 have not been adjusted for the adoption of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005.