GOLIK

GOLIK HOLDINGS LIMITED

ANNUAL REPORT 2006

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 HM11
Bermuda

Head Office and Principal Place of Business
Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
www.golik.com.hk

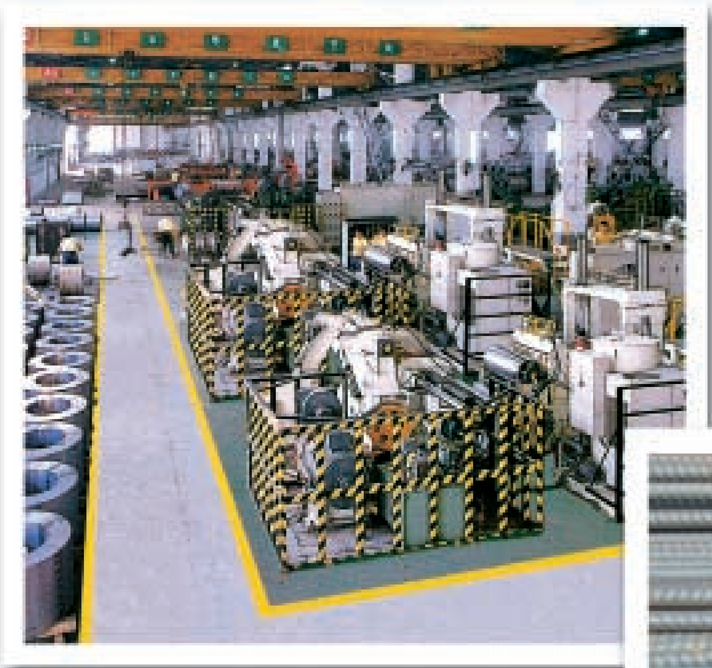
Auditors
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

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

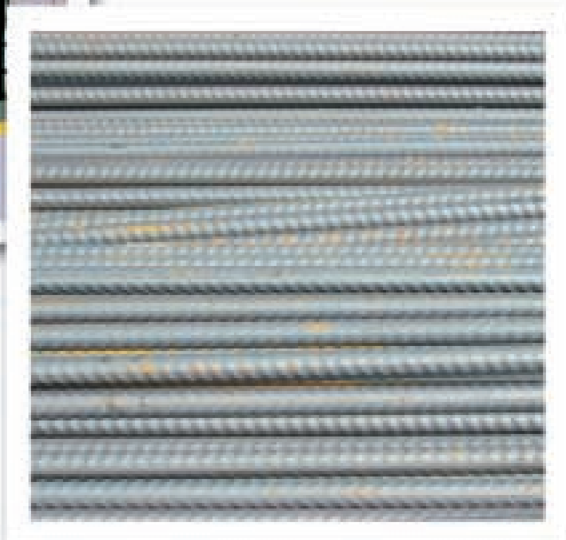
Hong Kong Branch Share Registrar and Transfer Office
Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

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

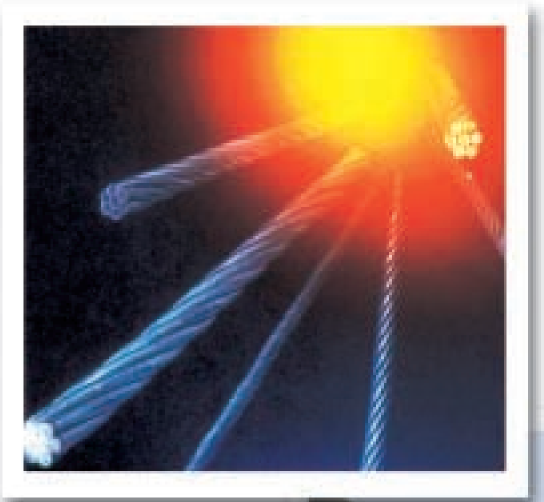
Business Profile



Steel Coil Processing Center in Dongguan, Guangdong, the PRC



Steel Re-bars



Wire Ropes and Pre-stressed Steel Strands

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

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, 2006.

BUSINESS REVIEW

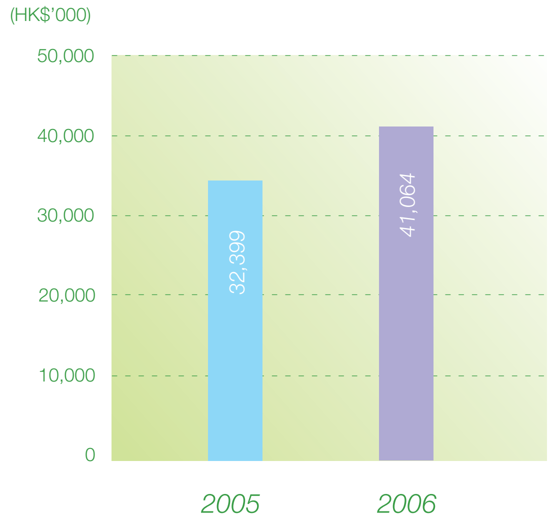
For the year ended 31st December, 2006, the Group achieved an annual turnover of HK$2,053,862,000, approximately 10% decrease compared to the year of 2005. Although turnover had been declined, profit was improved over the year. After deduction of the minority interests, profit attributable to the Company was HK$41,064,000, an increase of 27% over last year.

During the year, business environment remained very much unchanged. Domestic construction market had yet to benefit from Hong Kong's continuing economic recovery. Despite increases in production for private sector development, total expenditure in Hong Kong's construction industry was still in decline due to the greater impact from the fall in public sector projects. Volatility in global steel prices was again a feature during the year. In order to mitigate losses and minimise risks associated with the volatility of steel prices, the Group had continued to engage in a more conservative operating strategy for the "Steel Distribution" business which resulted in a decrease in turnover compared to last year. With the exception of the "Pre-stressed Steel Strands" operation, most of the core business units were in their maturing phases and could deliver solid performances. Despite a slight decrease in turnover, the Company is pleased with its increase in attributable profit.

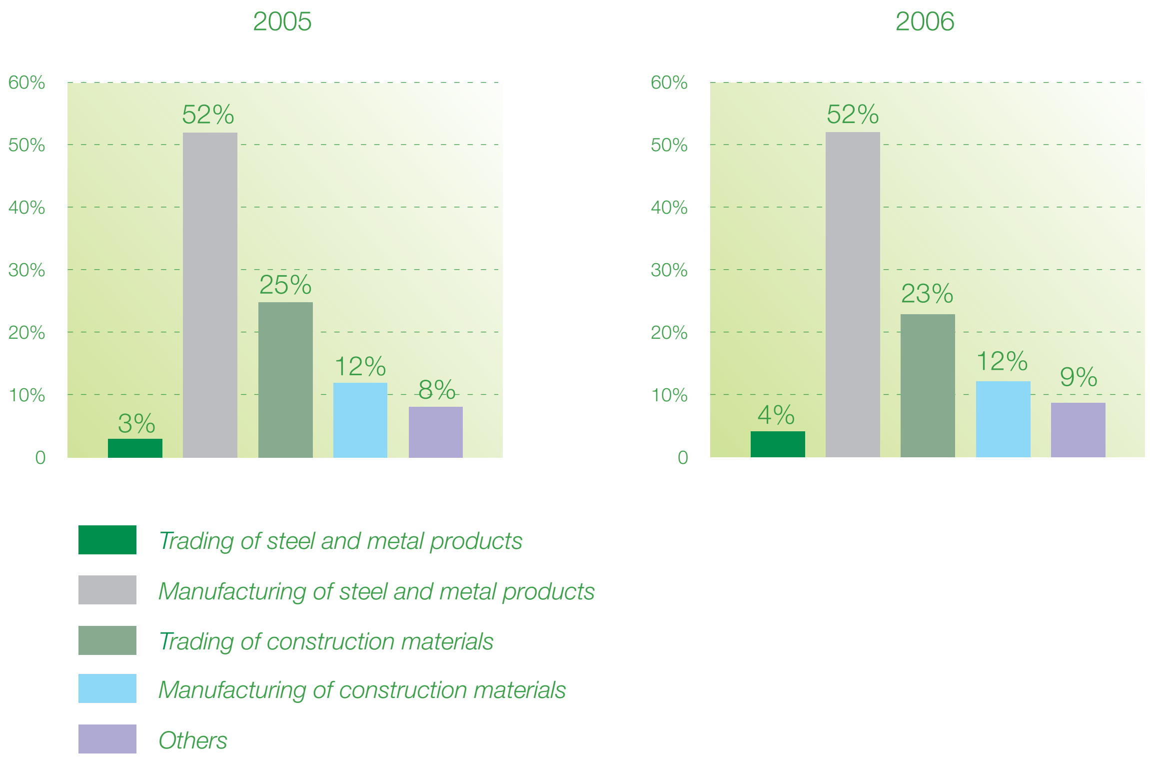
Chairman's Statement

TURNOVER FOR THE YEARS ENDED 31ST DECEMBER, 2005 AND 2006

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY FOR THE YEARS ENDED 31ST DECEMBER, 2005 AND 2006



TURNOVER BY BUSINESS SEGMENTS FOR THE YEARS ENDED 31ST DECEMBER, 2005 AND 2006



Chairman's Statement

Steel and Metal Products

1. ***Steel Coil Processing***

The two Steel Coil Processing centers located in Taipo Industrial Estate, Hong Kong and Dongguan, Guangdong mainly supply steel sheet materials to stationery, electrical appliances and metal manufacturers in the Pearl River Delta Region for their export production. It is pleasing to report that the business has operated consistently and achieved solid result despite weaker market condition during the first quarter of the year.

In order to keep pace with market condition, the Management is planning to endeavour further into the People's Republic of China (the "PRC")'s market with an aim to expand the Group's current market presence. It is forecasted that the Steel Coil Processing business will continue to provide the Group with stable and consistent profit contribution in the coming days.

2. ***Wires Processing (Steel Wires, Wire Ropes and Pre-stressed Steel Strands)***

The year end result for the Steel Wires and Wire Ropes factory in Heshan, Guangdong was achieved as expected. During the year, the Group acquired the remaining 40% equity interest from the minority shareholder, making the Steel Wires and Wire Ropes factory in Heshan now a wholly owned subsidiary of the Group. Through the restructuring, the Group will now be able to allocate more resources to increase production capacity as well as to enhance the value of steel wires products, from which more profit contribution can be generated for the Group.

Over the past two years, the Pre-stressed Steel Strands industry in Tianjin, the PRC has witnessed a phenomenal rise in production output from competitors, leading to market saturation and intense competition between manufacturers with a resulting substantial fall in profit margins. As a result, performance of this operation during the year was not satisfactory. However, market potential for the outlook of pre-stressed steel strands is still looking remarkably strong as they are used extensively in the construction of railways, roads and infrastructure projects. It is anticipated that once the excess capacity has been absorbed by the market, the business will be able to deliver solid result for the Group for the years ahead through sound management and effective cost control initiatives.

Construction Materials Products

1. ***Steel Re-bars Stockholding and Distribution***

The Group is one of the Hong Kong's major suppliers of steel reinforcement bars for construction industry. During the year, the Group participated in supplying materials to some large construction projects in both the private and public sectors, including "Skyplaza Hong Kong International Airport", "Deep Bay Link West Corridor", "Dream City Tseung Kwan O" and "Ho Tung Lau Development", etc. In order to mitigate losses and minimise risks from the volatility of steel prices, the Group further reinforced its conservative operating strategy. As a result, turnover compared to the last year had marginally been decreased but after operational adjustments, profit increased significantly and the overall result was delightful.

2. ***Ready Mixed Concrete Products***

The Group's concrete operations mainly supply ready mixed concrete and pre-cast concrete products to the construction industry in Hong Kong and Guangzhou regions.

During the year, the business continued to face challenges from the sluggish Hong Kong construction industry and low-pricing position in the Guangzhou concrete market, etc., the business had struggled. However, through persistent effort from the Management, target for the year was achieved and business condition resumed positive returns. The result achieved is nothing short of admirable.

The Group's outlook for the concrete business is highly optimistic. The two concrete plants located in Hong Kong and Guangzhou have tremendous geographical advantages. It is anticipated that once the market environment improves, the business will be benefited and will perform to deliver greater returns for the Group.

Chairman's Statement

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, 2006, the Group's bank balances and cash reached approximately HK$167,188,000. As at 31st December, 2006, current ratio (current assets to current liabilities) for the Group was 1.34:1.

As at 31st December, 2006, borrowings for the Group was approximately HK$502,492,000.

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, 2006, equity attributable to equity holders of the Company reached approximately HK$459,537,000.

As at 31st December, 2006, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.62:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2006, the total number of staff of the Group was 1,132. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

PROSPECT

The current operating environment is still hindered by various hurdles such as the rapid changes of demand and supply and the fluctuation of commodities prices, etc. To avoid negative impacts to the Group's result, it is necessary for the Group to respond to these risks and continue to operate diligently to our strategy. Furthermore, in improving our position, we are looking towards strengthening our cost control measures and progressively restructure operations that are not compatible and/or are not fully aligned with our core business strategies.

The Board is extremely optimistic on the future development of the Group, especially the Steel Value-added business in the PRC which has underlying high growth potentials due to its low production cost. Following Mr. Donald Tsang's sweeping victory in the recent Hong Kong Chief Executive election, one of the key messages highlighted in his prior Policy Address for his administration is to accelerate the development of the infrastructure projects in Hong Kong. The Group believes construction businesses in Hong Kong will be directly benefited as a result.

Our main focus will be on strengthening and expanding two of the Group's main core businesses in both the PRC and Hong Kong at even strides, those are "Steel Value-added" and "Construction Materials" businesses. With clear goal and strong commitment, the Group is certain on delivering compelling result.

ACKNOWLEDGMENT

With the Group marking its 30th anniversary this year, I would like to take this opportunity to sincerely thank our staff and our Management for their tremendous contributions and efforts over the past years. I would also like to sincerely thank our clients, shareholders, bankers and business partners for their relentless support. With their continuing support, the Group is set to deliver even better result in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 19th April, 2007

Directors of the Group

Mr. Pang Tak Chung, aged 58, is the chairman of the Company since 1996 and the founder of Golik Metal Industrial Company Limited ("Golik Metal") in 1977. Mr. Pang is responsible for strategic planning, overall management and corporate development of the Group. He has over 31 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 51, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, a full member of the Chartered Management Institute in the United Kingdom, a full member of the Hong Kong Computer Society and a founder and permanent honorable president of the IT Accountants Association. He has over 26 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined the Group in 1996.

Mr. John Cyril Fletcher, aged 62, was appointed as executive director of the Company and the managing director of the Concrete Division of the Group on 5th January, 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 22 years.

Mr. Robert Keith Davies, aged 50, is a non-executive director of the Company who was re-designated from executive director of the Company with effect from 1st March, 2004. Educated in England, 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 assists the Group in its international M&A activities with international partners wishing to manufacture in the PRC. Mr. Davies has resided in Hong Kong for more than 23 years and joined Golik Metal in 1991.

Mr. Yu Kwok Kan, Stephen, aged 51, was appointed as an independent non-executive director of the Company on 23rd July, 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 26 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 51, MBA from the University of East Asia, Macau, was appointed as an independent non-executive director of the Company on 28th September, 2004. Mr. Chan is the Managing Director of Uniplan (Beijing) Co., Ltd. He is a senior executive with over 18 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 49, was appointed as an independent non-executive director of the Company on 28th September, 2004. Mr. Lo is the proprietor of Y.T. Lo & Co., certified public accountants and has over 21 years of experience in statistical, accountancy, audit and financial re-arrangement work. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified 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 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules") which became effective on 1st January, 2005. The Company has complied with the 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) as set out in the CG Code throughout the year ended 31st December, 2006. 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 standard set out in Appendix 10 to the Listing Rules (the "Model Code"). All directors had complied with the required standard 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, 2006.

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 for the year ended 31st December, 2006 were:

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 the 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 have acknowledged their responsibilities for preparing the accounts of the Group.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 18 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 Appendix 14 to the Listing Rules requires that non-executive directors should be appointed for a specific term and should be subject to re-election.

The non-executive directors were not appointed for a specific term. All directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Bye-Laws.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 have a separate 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, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of the Company's business efficiently.

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 annual and interim results, as well as other significant matters. Daily operational matters are delegated to management.

The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are followed and also keeps detailed minutes of each meeting, which are circulated and available to all directors.

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. 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 of the Company. 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 control.

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met three times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's financial statements for the year ended 31st December, 2006 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Group established its Remuneration Committee on 21st April, 2005. In order to comply with the requirements under the CG Code, a majority of the members of the 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 of the Company. 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 a formal and transparent procedure for developing policy on such remuneration. The Remuneration Committee has adopted terms of reference which are in line with the CG Code.

The Remuneration Committee held one meeting during the year and reviewed the remuneration package of executive directors and adopted the remuneration policy for executive directors for the year ended 31st December, 2006.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2006

Name and Designation	Number of Meetings attended/held during the year: 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	3/3	1/1
Mr. Chan Yat Yan	4/4	3/3	1/1
Mr. Lo Yip Tong	4/4	3/3	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 an annual review and will conduct regular reviews on the Group's internal control system.

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.

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 addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are based on their professional qualifications and experience.

AUDITORS' REMUNERATION

During the year ended 31st December, 2006, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount *(HK$'000)*
Review fee for 2006 interim results	305
Audit fee for 2006 final results	2,900
Audit service fee for Occupational Retirement Schemes	6
Total audit services	3,211

Corporate Governance Report

SHAREHOLDER RELATIONS

The Group follows a policy of disclosing relevant information to shareholders in a timely manner. The Group's annual general meeting (the "AGM") allows the 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 which contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group enable 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, 2006.

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 40% equity interest in 鶴山恒基鋼絲制品有限公司.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 20.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.2 HK cents per share to the shareholders whose names appear on the register of members of the Company on 23rd May, 2007, amounting to HK$12,482,000.

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$19.2 million. In addition, property, plant and equipment with carrying values of approximately HK$13.6 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 32 and 33 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2006 were as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Contributed surplus	**65,891**	65,891
Retained profits	**43,617**	68,627
	109,508	134,518

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the 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.

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. Pang Tak Chung, Robert Keith Davies and Yu Kwok Kan, Stephen 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, 2006, the interests of the directors and chief executive of the Company in the 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 are 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:

(1) Long position
Shares of the Company

	Number of ordinary shares held			
Name of directors	**Personal interest**	**Held by controlled corporation**	**Total**	**Percentage of issued shares**
Mr. Pang Tak Chung *(Note)*	133,274,708	195,646,500	328,921,208	57.97%
Mr. Ho Wai Yu, Sammy	2,000	—	2,000	0.00%
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 33 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2006 and 31st December, 2006.

(2) Shares in subsidiaries

As at 31st December, 2006, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and held by 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, 2006, 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 (within the meaning of Part XV of the SFO).

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2006, 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 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, 2006, had an interest or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to the Part XV of the SFO, or as recorded in the register 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 35% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 9% 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.

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 is set out in note 33 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.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 43 to the consolidated financial statements.

AUDITORS

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

On behalf of the Board

Pang Tak Chung
Chairman

19th April, 2007

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 20 to 61, which comprise the consolidated balance sheet as at 31st December, 2006, 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, 2006 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
19th April, 2007

Consolidated Income Statement

For the year ended 31st December, 2006

	Notes	2006 HK$'000	2005 HK$'000
Turnover	5	**2,053,862**	2,278,449
Cost of sales		**(1,787,956)**	(2,004,502)
Gross profit		**265,906**	273,947
Other income	6	**28,133**	28,310
Interest income		**2,905**	1,889
Selling and distribution costs		**(69,824)**	(70,286)
Administrative expenses		**(128,905)**	(125,777)
Loss on disposal of property, plant and equipment and prepaid lease payments		**(11,906)**	(4,578)
Decrease in fair value on investment properties		**(500)**	(970)
Discount on acquisition of additional interest in a subsidiary		**5,696**	—
Impairment loss on goodwill		**(6,500)**	(10,184)
Finance costs	7	**(32,208)**	(31,066)
Gain on disposal of subsidiaries		**—**	2,406
Share of results of jointly controlled entities		**244**	60
Share of results of associates		**1,454**	1,218
Profit before taxation		**54,495**	64,969
Income taxes	8	**(6,236)**	(8,351)
Profit for the year	9	**48,259**	56,618
Attributable to:			
Equity holders of the Company		**41,064**	32,399
Minority interests		**7,195**	24,219
		48,259	56,618
Dividend			
Paid	12	**11,347**	—
Proposed		**12,482**	11,347
		HK cents	*HK cents*
Earnings per share	13		
Basic		**7.24**	5.71

Consolidated Balance Sheet

At 31st December, 2006

	Notes	2006 HK$'000	2005 HK$'000
Non-current Assets			
Goodwill	14	**6,994**	13,494
Investment properties	15	**25,900**	26,400
Property, plant and equipment	16	**239,905**	267,135
Prepaid lease payments	17	**47,911**	48,987
Interests in jointly controlled entities	18	**1,603**	1,359
Interests in associates	19	**6,707**	5,253
Long-term receivables	20	**155**	823
Rental and other deposits		**1,091**	830
		330,266	364,281
Current Assets			
Inventories	21	**298,222**	309,368
Trade and other receivables	22	**453,074**	424,840
Amounts due from jointly controlled entities	23	**6,962**	6,914
Amount due from an associate	24	**494**	682
Prepaid lease payments	17	**1,187**	1,192
Income tax recoverable		**141**	148
Derivative financial instruments	25	**—**	4
Pledged bank deposits	26	**23,707**	23,604
Bank balances and cash	27	**143,481**	124,845
		927,268	891,597
Current Liabilities			
Trade and other payables	28	**194,496**	188,488
Amounts due to minority shareholders	29	**2,791**	4,091
Income tax payable		**3,561**	812
Derivative financial instruments	25	**322**	—
Bank borrowings	30	**485,682**	503,834
Obligations under finance leases	31	**3,110**	4,942
		689,962	702,167
Net Current Assets		**237,306**	189,430
		567,572	553,711

Consolidated Balance Sheet

At 31st December, 2006

	Notes	**2006** **HK$'000**	2005 HK$'000
Capital and Reserves			
Share capital	*32*	**56,736**	56,736
Share premium and reserves		**402,801**	369,049
Equity attributable to equity holders of the Company		**459,537**	425,785
Minority interests		**82,600**	102,833
Total Equity		**542,137**	528,618
Non-current Liabilities			
Deferred tax liabilities	*34*	**11,735**	11,713
Bank borrowings	*30*	**9,613**	8,768
Obligations under finance leases	*31*	**4,087**	4,612
		25,435	25,093
		567,572	553,711

The consolidated financial statements on pages 20 to 61 were approved and authorised for issue by the Board of Directors on 19th April, 2007 and are signed on its behalf by:

Pang Tak Chung
Chairman

Ho Wai Yu, Sammy
Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2006

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium *HK$'000*	Property revaluation reserve *HK$'000* *(note 1)*	Exchange reserve *HK$'000*	Revenue reserve *HK$'000* *(note 2)*	(Deficit) retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1st January, 2005	56,736	318,118	38,933	150	—	(22,727)	391,210	106,644	497,854
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong recognised directly in equity	—	—	—	2,206	—	—	2,206	801	3,007
Realised on disposal of property	—	—	(19,367)	—	—	19,367	—	—	—
Realised to income statement on disposal of a subsidiary	—	—	—	(30)	—	—	(30)	—	(30)
Profit for the year	—	—	—	—	—	32,399	32,399	24,219	56,618
Total recognised (loss) profit for the year	—	—	(19,367)	2,176	—	51,766	34,575	25,020	59,595
Retained profits transferred to revenue reserve	—	—	—	—	1,820	(1,820)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(27,142)	(27,142)
Disposal of subsidiaries	—	—	—	—	—	—	—	(6,099)	(6,099)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	4,410	4,410
At 31st December, 2005	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 financial statements of subsidiaries operating outside Hong Kong 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**

Notes:

(1) Included in property revaluation reserve as at 1st January, 2005 was a surplus of HK$19,367,000 arising on revaluation of leasehold properties in 1994 which was credited to the revaluation reserve and is frozen upon the transfer of leasehold properties to properties held for sale. These properties held for sale were transferred to investment properties in 2000. The attributable valuation surplus was transferred to retained profits upon the sale of these properties in 2005.

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

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

	2006 *HK$'000*	2005 *HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	**54,495**	64,969
Adjustments for:		
Amortisation of prepaid lease payments	**1,187**	1,228
Change in fair value of derivative financial instruments	**326**	(4,146)
Write down of inventories	**2,200**	993
Depreciation	**35,861**	36,758
Gain on expiration of derivative financial instruments	**(1,330)**	(1,694)
Gain on disposal of investment properties	**—**	(199)
Allowance for (write back of) bad and doubtful debts	**3,630**	(100)
Interest income	**(2,905)**	(1,889)
Loss on disposal of property, plant and equipment and prepaid lease payments	**11,906**	4,578
Decrease in fair value of investment properties	**500**	970
Discount on acquisition of additional interest in a subsidiary	**(5,696)**	—
Impairment loss on goodwill	**6,500**	10,184
Finance costs	**32,208**	31,066
Gain on disposal of subsidiaries	**—**	(2,406)
Share of results of jointly controlled entities	**(244)**	(60)
Share of results of associates	**(1,454)**	(1,218)
Operating cash flows before movements in working capital	**137,184**	139,034
Decrease (increase) in inventories	**11,018**	(17,379)
(Increase) decrease in trade and other receivables	**(30,417)**	42,130
Change in derivative financial instruments	**1,330**	1,694
Increase in amount due from jointly controlled entities	**(48)**	(92)
Decrease (increase) in amount due from associates	**188**	(682)
(Decrease) increase in trade and other payables	**(754)**	21,150
Effect of foreign exchange rate changes	**(1,990)**	(478)
Cash generated from operations	**116,511**	185,377
Hong Kong Profits Tax paid	**(2,690)**	(6,656)
Taxation outside Hong Kong paid	**(921)**	(8,088)
Hong Kong Profits Tax refunded	**79**	160
NET CASH FROM OPERATING ACTIVITIES	**112,979**	170,793

Consolidated Cash Flow Statement

For the year ended 31st December, 2006

	Note	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(12,491)**	(12,091)
Decrease (increase) in pledged bank deposits		**735**	(6,262)
Acquisition of associates		**—**	(5,449)
Advance of loans		**—**	(950)
Proceeds from disposal of property, plant and equipment and prepaid lease payments		**2,097**	18,475
Proceeds from disposal of investment properties		**—**	11,459
Repayment of loans advanced		**3,836**	6,385
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	35	**—**	5,006
Interest received		**2,967**	2,255
Consideration on acquisition of additional interest in a subsidiary		**(4,235)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(7,091)**	18,828
FINANCING ACTIVITIES			
Bank loans raised		**184,738**	179,952
Mortgage loans raised		**12,000**	
Capital contribution from minority shareholders		**—**	4,410
Repayment of bank loans		**(204,584)**	(243,281)
Interest paid		**(32,753)**	(30,233)
Dividend paid to minority shareholders of subsidiaries		**(15,944)**	(27,142)
Dividend paid		**(11,347)**	—
Net repayment of trust receipt loans		**(3,710)**	(15,429)
Repayment of mortgage loans		**(6,475)**	(14,223)
Repayment of obligations under finance leases		**(7,410)**	(6,305)
Repayment to minority shareholders		**(1,367)**	(2,091)
NET CASH USED IN FINANCING ACTIVITIES		**(86,852)**	(154,342)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**19,036**	35,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**121,940**	86,055
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,973**	606
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**142,949**	121,940
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**143,481**	124,845
Bank overdrafts		**(532)**	(2,905)
		142,949	121,940

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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The application 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 not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC)-Int 8	Scope of HKFRS 2[4]
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives[5]
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment[6]
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions[7]
HK(IFRIC)-Int 12	Service Concession Arrangements[8]

1 Effective for annual periods beginning on or after 1st January, 2007
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st March, 2006
4 Effective for annual periods beginning on or after 1st May, 2006
5 Effective for annual periods beginning on or after 1st June, 2006
6 Effective for annual periods beginning on or after 1st November, 2006
7 Effective for annual periods beginning on or after 1st March, 2007
8 Effective for annual periods beginning on or after 1st January, 2008

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.

The principal accounting policies adopted are as follows:

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

When the Group increases its interest in an enterprise that is already an entity controlled by the Company, discount on acquisition arising on such acquisition represents the difference between the fair value of the net assets of the subsidiary attributable to the additional interest acquired and the consideration paid for the additional interest is recognised in the consolidated income statement.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on acquisitions of a subsidiary 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions prior to 1st January, 2005 *(Continued)*

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 income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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 associate, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in jointly controlled entities *(Continued)*

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 and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when 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.

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 fair value 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%

Assets 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 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.

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.

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.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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.

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

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, receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. 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 asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions 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, are discussed below.

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, 2006, the carrying amount of goodwill is HK$6,994,000 (net of accumulated impairment loss of HK$27,294,000). Details of the recoverable amount calculation are disclosed in note 14.

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:

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.							
SEGMENT RESULT	65,049	5,177	5,268	31,663	6,975	(470)	113,662
Unallocated other income							2,750
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	660,389	79,741	202,645	137,556	115,587	(25,579)	1,170,339
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							71,429
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

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
Net exchange loss (gain)	2,606	(1,132)	65	(216)	(1)	200	1,522
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

2005

	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	1,183,827	69,696	272,724	576,520	175,682	—	2,278,449
Inter-segment sales	6,422	754	1,781	56,314	—	(65,271)	—
Total turnover	1,190,249	70,450	274,505	632,834	175,682	(65,271)	2,278,449

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	85,562	6,996	(8,918)	23,240	7,818	(35)	114,663
Unallocated other income							9,249
Unallocated corporate expenses							(21,377)
Impairment loss on goodwill	—	—	(884)	—	(9,300)	—	(10,184)
Finance costs							(31,066)
Gain (loss) on disposal of subsidiaries	3,299	—	—	(892)	(1)	—	2,406
Share of results of jointly controlled entities	—	—	—	—	60	—	60
Share of results of associates	1,218	—	—	—	—	—	1,218
Profit before taxation							64,969
Income taxes							(8,351)
Profit for the year							56,618

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2006

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

2005 *(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	668,149	85,301	245,235	129,539	95,580	(26,195)	1,197,609
Interests in jointly controlled entities	—	—	—	—	1,359	—	1,359
Interests in associates	5,253	—	—	—	—	—	5,253
Amounts due from jointly controlled entities	—	1,500	—	—	5,414	—	6,914
Amount due from an associate	682	—	—	—	—	—	682
Unallocated corporate assets							44,061
Consolidated total assets							1,255,878
LIABILITIES							
Segment liabilities	132,289	6,154	49,864	21,580	10,041	(26,326)	193,602
Unallocated corporate liabilities							533,658
Consolidated total liabilities							727,260

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	8,283	1,436	2,482	31	5,108	105	17,445
Depreciation	13,935	1,174	19,591	134	1,356	568	36,758
Amortisation of prepaid lease payments	520	—	670	—	—	38	1,228
(Write back of) allowance for bad and doubtful debts	(844)	559	(2,438)	2,158	465	—	(100)
Gain on disposal of investment properties	—	—	—	—	—	(199)	(199)
Write down of inventories	43	—	250	200	500	—	993
Net exchange loss (gain)	1,471	(467)	3	424	(32)	149	1,548
Decrease in fair value on investment properties	—	—	—	—	—	970	970
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(38)	11	4,850	50	(41)	(254)	4,578

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

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	
	2006	2005
	HK$'000	*HK$'000*
Hong Kong	**1,401,131**	1,548,371
Other regions in the PRC	**586,412**	646,653
Australia	**46,290**	36,835
Macau	**6,195**	31,679
Others	**13,834**	14,911
	2,053,862	2,278,449

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment and prepaid lease payments	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**588,969**	618,636	**3,130**	3,632
Other regions in the PRC	**570,798**	573,822	**16,074**	13,792
Australia	**10,572**	5,151	**13**	21
	1,170,339	1,197,609	**19,217**	17,445

6. OTHER INCOME

	2006	2005
	HK$'000	*HK$'000*
Included in other income are:		
Gross rental income from investment properties	**627**	782
Less: direct operating expenses from investment properties that generated rental income during the year	**(112)**	(132)
Net rental income from investment properties	**515**	650
Rental income from property, plant and equipment and prepaid lease payments	**1,442**	1,405
	1,957	2,055

7. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**31,629**	30,457
Finance leases	**455**	605
Other borrowings wholly repayable within five years	**124**	4
	32,208	31,066

8. INCOME TAXES

	2006	2005
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	**4,900**	3,612
Outside Hong Kong	**1,950**	3,143
	6,850	6,755
(Over)underprovision in prior years		
Hong Kong	**(614)**	(156)
Outside Hong Kong	**—**	1,717
	(614)	1,561
	6,236	8,316
Deferred tax *(note 34)*	**—**	35
	6,236	8,351

Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profit for the year.

8. INCOME TAXES *(Continued)*

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.

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**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation	**51,346**	29,194	**3,149**	35,775	**54,495**	64,969
Domestic income tax rate	**17.5%**	17.5%	**33%**	33%		
Tax at the domestic income tax rate	**8,986**	5,109	**1,039**	11,806	**10,025**	16,915
Tax effect of expenses not deductible for tax purpose	**1,349**	3,217	**50**	181	**1,399**	3,398
Tax effect of income not taxable for tax purpose	**(656)**	(612)	**(1)**	(30)	**(657)**	(642)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	**(5,344)**	(4,567)	**—**	—	**(5,344)**	(4,567)
Tax effect of tax losses not recognised	**4,764**	4,766	**2,472**	1,586	**7,236**	6,352
Tax effect of utilisation of tax loss previously not recognised	**(7,105)**	(4,956)	**(998)**	(546)	**(8,103)**	(5,502)
Tax effect of other deductible temporary difference not recognised	**683**	—	**324**	(2,375)	**1,007**	(2,375)
Effect of tax exemption granted to PRC subsidiaries	**—**	—	**(357)**	(7,349)	**(357)**	(7,349)
Others	**2,223**	690	**(579)**	(130)	**1,644**	560
(Over)underprovision in prior years	**(614)**	(156)	**—**	1,717	**(614)**	1,561
Income taxes for the year	**4,286**	3,491	**1,950**	4,860	**6,236**	8,351

Details of deferred taxation are set out in note 34.

9. PROFIT FOR THE YEAR

	2006 *HK$'000*	2005 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**1,187**	1,228
Auditors' remuneration		
Current year	**3,053**	2,746
Underprovision in prior years	**625**	409
Change in fair value of derivative financial instruments	**326**	(4,146)
Cost of inventories recognised as expense including write down of inventories of HK$2,200,000 (2005: HK$993,000)	**1,787,956**	2,004,502
Depreciation	**35,861**	36,758
Gain on expiration of derivative financial instruments	**(1,330)**	(1,194)
Gain on disposal of investment properties	**—**	(199)
Minimum lease payments for operating leases in respect of		
Land and buildings	**14,790**	13,421
Plant and machinery	**1,440**	1,790
	16,230	15,211
Net exchange loss	**1,522**	1,548
Staff costs including directors' emoluments and contributions to retirement benefits scheme	**99,565**	87,294
Allowance for (write back of) bad and doubtful debts	**3,630**	(100)
Share of income tax attributable to an associate	**158**	92

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,381,000 (2005: HK$1,348,000) are included under staff costs.

Of the consolidation profit for the year of HK$48,259,000 (2005: HK$56,618,000), a loss of HK$13,663,000 (2005: profit of HK$32,350,000) 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$'000*	2006 Total *HK$'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**

	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$'000*	2005 Total *HK$'000*
Fees	—	—	—	70	90	90	90	340
Other emoluments								
Salaries and other benefits	3,490	1,972	1,644	—	—	—	—	7,106
Contributions to retirement benefits schemes	145	118	55	—	—	—	—	318
	3,635	2,090	1,699	70	90	90	90	7,764

No director waived any emoluments for the two years ended 31st December, 2006.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2005: three directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining two individuals (2005: two individuals) are as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Salaries and other benefits	**4,344**	4,299
Contributions to retirement benefits scheme	**24**	24
	4,368	4,323

11. EMPLOYEES' EMOLUMENTS *(Continued)*

Their emoluments were within the following bands:

	2006 Number of employees	2005 Number of employees
HK$1,500,001 — HK$2,000,000	**1**	1
HK$2,500,001 — HK$3,000,000	**1**	1
	2	2

12. DIVIDEND

	2006 ***HK$'000***	2005 *HK$'000*
Dividend paid:		
Final dividend in respect of 2005, approved and paid		
– 2 HK cents per ordinary share	**11,347**	—
Dividend proposed:		
Final dividend proposed for the year		
– 2.2 HK cents (2005: 2 HK cents) per ordinary share	**12,482**	11,347

The directors recommend the payment of a final dividend of 2.2 HK cents per share for the year ended 31st December, 2006 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 (2005: 567,362,500) ordinary shares in issue.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2005 and at 31st December, 2005 and 2006	**34,288**
IMPAIRMENT	
At 1st January, 2005	10,610
Impairment loss recognised	10,184
At 31st December, 2005	20,794
Impairment loss recognised	6,500
At 31st December, 2006	**27,294**
CARRYING AMOUNT	
At 31st December, 2006	**6,994**
At 31st December, 2005	13,494

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$1,298,000 and HK$5,696,000 respectively.

During the year ended 31st December, 2006, the Group recognised an impairment loss of HK$6,500,000 (2005: HK$10,184,000) 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 by extrapolating the budget using a steady growth rate of 5% for the subsequent 5 years, and a discount rate of 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 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

	2006 **HK$'000**	2005 HK$'000
At beginning of the year	**26,400**	38,630
Disposals	**—**	(11,260)
Decrease in fair value	**(500)**	(970)
At end of the year	**25,900**	26,400

The Group's investment properties comprise:

	2006 **HK$'000**	2005 HK$'000
Properties held under medium-term leases:		
In Hong Kong	**11,900**	11,300
Other regions in the PRC	**2,500**	2,800
Properties held under long leases in Hong Kong	**11,500**	12,300
	25,900	26,400

The fair value of the Group's investment properties as at 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 rented out under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

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, 2005	103,959	23,332	15,914	49,309	285,447	4,373	5,969	488,303
Exchange differences	226	12	44	580	1,789	—	63	2,714
Additions	419	2,117	1,156	3,319	7,651	1,083	1,700	17,445
Disposals	(10,562)	(2,588)	(601)	(1,938)	(6,213)	—	(1,703)	(23,605)
On disposal of subsidiaries	—	—	(595)	(861)	(1,973)	(65)	—	(3,494)
Reclassification	—	—	4	(61)	7,309	(5,379)	(1,873)	—
At 31st December, 2005	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**
Comprising:								
At cost	644	22,946	16,383	56,600	292,370	218	2,947	392,108
At valuation — 2004	94,072	—	—	—	—	—	—	94,072
	94,716	**22,946**	**16,383**	**56,600**	**292,370**	**218**	**2,947**	**486,180**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2005	—	17,585	13,217	26,383	123,105	—	2,638	182,928
Exchange differences	—	2	29	297	621	—	—	949
Provided for the year	7,433	1,252	879	5,198	21,996	—	—	36,758
Eliminated on disposals	(109)	(1,238)	(490)	(1,758)	(1,742)	—	—	(5,337)
Eliminated on disposal of subsidiaries	—	(13)	(247)	(464)	(346)	—	—	(1,070)
Reclassification	—	—	4	(6)	2	—	—	—
At 31st December, 2005	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**
CARRYING VALUES								
At 31st December, 2006	**79,998**	**4,231**	**2,327**	**21,467**	**131,355**	**218**	**309**	**239,905**
At 31st December, 2005	86,718	5,285	2,530	20,698	150,374	12	1,518	267,135

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

Property, plant and equipment of the Group include assets carried at cost of nil (2005: HK$4,565,000) with accumulated depreciation of nil (2005: HK$1,826,000) held for use under operating leases. Depreciation charged in respect of these assets during the year amounted to HK$114,000 (2005: HK$228,000).

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$523,000 (2005: HK$823,000) and HK$10,400,000 (2005: HK$18,558,000) 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.

At 31st December, 2006, 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$70,429,000 (2005: HK$77,067,000).

17. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**32,995**	33,805
Land use right in the PRC under medium-term lease	**16,103**	16,374
	49,098	50,179
Analysed for reporting purposes as:		
Current asset	**1,187**	1,192
Non-current asset	**47,911**	48,987
	49,098	50,179

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2006	2005
	HK$'000	*HK$'000*
Cost of investments (unlisted)	**1,257**	1,257
Share of post-acquisition profits	**346**	102
	1,603	1,359

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Particulars of the jointly controlled entities as at 31st December, 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 jointly controlled entities is set out below:

	2006	2005
	HK$'000	*HK$'000*
Non-current assets	**6,094**	5,464
Current assets	**11,406**	11,088
Current liabilities	**(10,416)**	(10,429)
	7,084	6,123
Income	**14,526**	9,105
Expenses	**(13,797)**	(8,926)
Profit for the year	**729**	179

19. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Cost of investments (unlisted)	**5,449**	5,449
Share of net post-acquisition profits	**2,672**	1,218
Less: Unrealised gain on disposal of a subsidiary *(note 35)*	**(1,414)**	(1,414)
	6,707	5,253

19. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the associates as at 31st December, 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:

	2006 **HK$'000**	2005 HK$'000
Non-current assets	**21,316**	4,308
Current assets	**53,630**	40,263
Current liabilities	**(42,202)**	(20,913)
Non-current liabilities	**(1,750)**	—
	30,994	23,658
Income	**103,213**	61,413
Expenses	**(96,082)**	(56,622)
Income taxes	**(697)**	(404)
Profit for the year	**6,434**	4,387

20. LONG-TERM RECEIVABLES

	2006 **HK$'000**	2005 HK$'000
Building mortgage loans *(note a)*	**256**	340
Other loans *(note b)*	**2,788**	6,541
Trade receivables *(note c)*	**231**	223
	3,275	7,104
Less: amounts due within one year shown under trade and other receivables	**(3,120)**	(6,281)
Amounts due after one year	**155**	823

Notes:

(a) The building mortgage loans bear interest at 3% (2005: 3% to 4%) 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% (2005: 9%).

(b) Other loans are unsecured, bear interest at 4% to 6% (2005: 4% to 6%) per annum. All are repayable within one year.

(c) The amounts are aged over 120 days and are repayable by yearly instalments up to 2007.

21. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Raw materials	**161,027**	168,312
Work in progress	**10,291**	8,468
Finished goods	**125,374**	131,286
Supplies	**1,530**	1,302
	298,222	309,368

22. TRADE AND OTHER RECEIVABLES

Other than the cash sales, the Group allows credit periods ranging from 30 to 180 days to its customers.

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

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**160,004**	135,507
31 – 60 days	**115,961**	106,692
61 – 90 days	**73,042**	73,462
91 – 120 days	**29,337**	28,597
More than 120 days	**22,894**	22,584
	401,238	366,842

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. DERIVATIVE FINANCIAL INSTRUMENTS

In the current year, the Group has used currency derivatives to hedge significant future foreign currency transactions. The Group is party to a variety of foreign currency forward option contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in United States dollar.

At 31st December, 2006, the total notional amount of outstanding foreign exchange forward options contracts to which the Group is committed ranging from US$31,300,000 to US$62,600,000 (2005: US$24,500,000 to US$49,000,000).

These arrangements are designed to address certain exchange exposures for 2007.

At 31st December, 2006, the fair value of the Group's foreign currency forward option contracts is estimated to be a financial liability of approximately HK$322,000 (2005: a financial asset of HK$4,000). These amounts are based on market prices quoted by banks at the balance sheet date. The change in fair value of the foreign currency forward option contracts amounting to HK$326,000 (2005: HK$4,146,000) has been realised in consolidated income statement.

26. 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 ranging from 1.73% to 2.7% (2005: 1.75% to 2.5%) per annum.

Pledged bank deposits of the Group of approximately HK$23,707,000 (2005: HK$23,604,000) were utilised for repayment of bank borrowings subsequent to the balance sheet date.

27. BANK BALANCES AND CASH

The amount included deposits with an original maturity of three months or less which carry fixed interest rate of 3.8% (2005: 4.65%) per annum.

28. TRADE AND OTHER PAYABLES

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

	2006	2005
	HK$'000	*HK$'000*
0 – 30 days	**75,934**	60,573
31 – 60 days	**11,652**	17,405
61 – 90 days	**4,512**	8,413
91 – 120 days	**1,512**	7,435
More than 120 days	**26,124**	29,358
	119,734	123,184

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

30. BANK BORROWINGS

	2006	2005
	HK$'000	*HK$'000*
Bank overdrafts	**532**	2,905
Bank loans	**123,359**	140,109
Mortgage loans	**10,437**	4,911
Trust receipt loans	**360,967**	364,677
	495,295	512,602
Analysed as:		
Secured	**85,436**	51,593
Unsecured	**409,859**	461,009
	495,295	512,602
The bank borrowings are repayable as follows:		
On demand or within one year	**485,682**	503,834
More than one year, but not exceeding two years	**3,745**	7,378
More than two years, but not exceeding three years	**2,507**	1,390
More than three years, but not exceeding four years	**2,668**	—
More than four years, but not exceeding five years	**693**	—
	495,295	512,602
Less: amounts due within one year shown under current liabilities	**(485,682)**	(503,834)
Amounts due after one year	**9,613**	8,768

The average effective borrowing rates are ranging from 5.2% to 8.8% (2005: 3.25% to 8.5%) per annum.

30. BANK BORROWINGS *(Continued)*

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

Denominated in	**Interest rate per annum**	**2006** *HK$'000*	2005 *HK$'000*
Hong Kong dollars	Hong Kong Interbank Offered Rate plus 1% to 2.5%	**360,466**	200,348
United States dollars *(note)*	London Interbank Offered Rate plus 1% to 2.25%	**34,585**	235,987
Renminbi	5% to 20% mark up from People's Bank of China lending rate	**99,592**	75,207
Others *(note)*	Hong Kong Interbank Offered Rate plus 2.5%	**652**	1,060
		495,295	512,602

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

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		**Present value of minimum lease payments**	
	2006 *HK$'000*	2005 *HK$'000*	**2006** *HK$'000*	2005 *HK$'000*
Within one year	**3,500**	5,446	**3,110**	4,942
In the second to fifth year inclusive	**4,370**	5,026	**4,087**	4,612
	7,870	10,472		
Less: future finance charges	**(673)**	(918)		
Present value of lease obligations	**7,197**	9,554	**7,197**	9,554
Less: amounts due within one year shown under current liabilities			**(3,110)**	(4,942)
Amounts due after one year			**4,087**	4,612

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The average lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2006, the average effective borrowing rates range from 4.65% to 7% (2005: 2.75% to 7%) 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.

32. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2005, 31st December, 2005 and 2006	**1,800,000,000**	**180,000**
Issued and fully paid:		
At 1st January, 2005, 31st December, 2005 and 2006	**567,362,500**	**56,736**

33. 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 the 10% of the total issued share capital of the Company as at 31st December, 2006. 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.

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.

33. SHARE OPTION SCHEME *(Continued)*

Summary of the Scheme *(Continued)*

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.

34. 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	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2005	2,408	(4,336)	(22,018)	12,280	(11,666)
Exchange differences	—	(12)	—	—	(12)
On disposal of subsidiaries	—	—	30	(30)	—
Credit (charge) to income for the year	258	—	1,505	(1,798)	(35)
At 31st December, 2005	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)**

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$701,046,000 (2005: HK$722,248,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$42,150,000 (2005: HK$59,736,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$658,896,000 (2005: HK$662,512,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$6,710,000 (2005: HK$8,276,000) which will expire within five years.

34. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group has deductible temporary differences of HK$30,740,000 (2005: HK$24,151,000) in respect of accelerated accounting depreciation and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK$16,696,000 (2005: HK$15,234,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$14,044,000 (2005: HK$8,917,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

35. DISPOSAL OF SUBSIDIARIES

On 21st January, 2005, the Group entered into an agreement with China Rope Holdings Limited ("China Rope") (an associate of which the Group has 30% interest) in relation to the disposal of its entire 51% equity interest in Bridon Tianjin Rope Ltd. to China Rope for a cash consideration of US$1.3 million (equivalent to approximately HK$10.4 million). A portion of the gain on disposal of the subsidiary attributable to the Group's interest through China Rope was deferred and offset against the Group's interests in associates as disclosed in note 19.

In addition, the Group disposed of its 67.5% equity interest in Luenik Construction Material Company Limited for a cash consideration of HK$3 million during the year ended 31st December, 2005.

The subsidiaries disposed of contributed approximately HK$36 million to the Group's turnover and incurred a loss before taxation of approximately HK$0.1 million to the Group.

	2005 *HK$'000*
Net assets disposed of	
Property, plant and equipment	2,424
Inventories	12,590
Trade and other receivables	22,299
Income tax recoverable	10
Bank balances and cash	8,348
Trade and other payables	(19,148)
Amounts due to minority shareholders	(1,427)
Bank borrowings, other than bank overdrafts	(9,433)
	15,663
Exchange reserve realised	(30)
Minority interests released	(6,099)
Gain on disposal of subsidiaries (below)	3,820
Total consideration	13,354
Net cash inflow arising on disposal:	
Cash consideration	13,354
Bank balances and cash disposed of	(8,348)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	5,006
Gain on disposal of subsidiaries (above)	3,820
Less: unrealised gain on disposal offset against interests in associates *(note 19)*	(1,414)
Gain recognised in consolidated income statement	2,406

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$5,031,000 (2005: HK$5,354,000).

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:

	2006	2005
	HK$'000	*HK$'000*
Investment properties	**23,400**	23,600
Land and buildings and prepaid lease payments	**41,605**	45,404
Plant and machinery and equipment	**13,104**	14,495
Bank deposits	**23,707**	23,604
	101,816	107,103

At 31st December, 2005, the Group had created a floating charge over certain assets of a subsidiary with a carrying value of HK$26,000 to banks as securities against banking facilities granted to the Group.

38. CONTINGENT LIABILITIES

At the balance sheet date, the Group has provided corporate guarantees to the extent of HK$4,600,000 (2005: HK$1,600,000) to a bank to secure the banking facilities granted to its associates. 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:

	2006	2005
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**11,851**	11,917
In the second to fifth year inclusive	**16,680**	26,296
After five years	**14,475**	20,430
	43,006	58,643

39. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessee *(Continued)*

Plant and machinery and equipment:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**720**	1,440
In the second year	**—**	720
	720	2,160

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-two years. Leases of plant and machinery and equipment are negotiated for terms ranging from five to ten years.

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:

	2006	2005
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	**1,745**	909
In the second to fifth year inclusive	**2,090**	1,722
After five years	**493**	701
	4,328	3,332

All of the properties held have committed tenants for the next one to five years.

40. CAPITAL COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**3,134**	2,602

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$3,657,000 (2005: HK$2,857,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$94,000 (2005: HK$77,000).

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		Disposal of subsidiaries to		Payment on behalf of the entities	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	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	**—**	—	**4,805**	2,307	**—**	—	**—**	—	**—**	—	**—**	1,000
Associates	**842**	—	**—**	—	**—**	—	**—**	—	**—**	10,354	**35**	16
Minority shareholders of subsidiaries	**—**	—	**—**	—	**147**	634	**7,054**	—	**—**	3,000	**—**	—

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. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group has disposed of one of its investment properties at a consideration of HK$11,500,000, which is equal to the carrying value of the investment property.

44. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Market risk

Currency risk

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions *(see note 25)*. The use of financial derivatives is monitored by authorised persons of subsidiaries.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the Group has appropriate 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 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 credit risk on liquid funds is limited because majority of the counterparties are banks with creditworthy financial institutions.

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

Interest rate risk

The Group has exposures to cash flow interest rate risk as its bank borrowings is subject to floating interest rate. Currently, interest rate risk is not hedged. However, from time to time, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest rate exposure. The Group's bank balances and deposits are all short term in nature, any future variations in interest rate will not been a significant impact on the results of the Group.

44. FINANCIAL INSTRUMENTS *(Continued)*

b. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

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	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	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%	Investment holding and sales of printing materials, spare parts and machines
Daido Concrete (H.K.) Limited	Incorporated	Hong Kong	HK$750,000,000 Ordinary shares	100%	Investment and properties holding
Ding Cheong Limited	Incorporated	Hong Kong	HK$500,000 Ordinary shares	55%	Investment holding and sales of construction materials
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	77%	Decoiling center
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	100%	Investment holding and operating a concrete batching plant
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	100%	Provision of warehouse services

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
Golik Metal Industrial Company Limited*	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$5,135,000 Non-voting deferred shares**	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited*	Incorporated	Hong Kong	HK$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK$80,000,000 Ordinary shares	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%	Manufacturing and sales of PVC plastic products
Stahl Trading Pty Limited	Incorporated	Australia	AUS$100 Ordinary shares	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials
Tianjin Golik-The First PC Steel Strand Co., Limited	Equity joint venture	PRC	RMB49,000,000 Registered capital	51%	Manufacturing and sales of pre-stressed steel wires
Worldlight Group Limited *	Incorporated	British Virgin Islands	US$2 Ordinary shares	100%	Investment holding
鶴山恒基鋼絲制品有限公司	Wholly owned foreign enterprise	PRC	US$3,880,000 Registered capital	100%	Manufacturing and sales of steel wire products and steel ropes

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
定昌(江門)五金制品有限公司	Wholly owned foreign enterprise	PRC	HK$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣東水利混凝土有限公司	Equity joint venture	PRC	RMB27,800,000 Registered capital	100%	Operating a concrete batching plant
廣州保税區高力金屬貿易有限公司	Equity joint venture	PRC	HK$5,000,000 Registered capital	80%	Sales of steel and metal products
鶴山高力金屬制品有限公司	Wholly owned foreign enterprise	PRC	US$1,973,687 Registered capital	100%	Manufacturing and sales of steel wire products and steel ropes

* 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,				
	2002	2003	2004	2005	**2006**
	HK$000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(restated)		(restated)		
RESULTS					
Turnover					
Continuing operations	1,177,175	2,128,301	2,554,547	2,278,449	**2,053,862**
Discontinued operations	62,306	34,178	—	—	**—**
	1,239,481	2,162,479	2,554,547	2,278,449	**2,053,862**
Operating profit					
Continuing operations	69,374	68,023	585	92,351	**85,005**
Discontinued operations	24,691	24,527	—	—	**—**
Finance costs	(19,041)	(27,850)	(27,079)	(31,066)	**(32,208)**
(Loss) gain on disposal of subsidiaries/discontinued operations	(4,555)	(23,088)	(313)	2,406	**—**
Share of results of jointly controlled entities	—	(148)	190	60	**244**
Share of results of associates	—	—	—	1,218	**1,454**
Profit (loss) before taxation	70,469	41,464	(26,617)	64,969	**54,495**
Income taxes	(9,766)	(8,009)	(3,708)	(8,351)	**(6,236)**
Profit (loss) for the year	60,703	33,455	(30,325)	56,618	**48,259**

ASSETS AND LIABILITIES

	At 31st December,				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
	(restated)		(restated)		
Total assets	1,326,566	1,487,350	1,321,500	1,255,878	**1,257,534**
Total liabilities	(749,813)	(957,886)	(837,780)	(727,260)	**(715,397)**
	576,753	529,464	483,720	528,618	**542,137**
Equity attributable to equity holders of the Company	424,899	424,695	376,696	425,785	**459,537**
Minority interests	151,854	104,769	107,024	102,833	**82,600**
	576,753	529,464	483,720	528,618	**542,137**

Note: The results of the Group for the year ended 31st December, 2002 and summary of assets and liabilities of the Group as at 31st December, 2002 have been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of Statement of Standard Accounting Practice 12 (Revised).

The results and the summary of the assets and liabilities of the Group for each of the two years 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.