GOLIK HOLDINGS LIMITED

ANNUAL REPORT 2008

Stock Code : 1118

Contents

Corporate Information

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

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

Qualified Accountant
Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Company Secretary
Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

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

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

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

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

Investor Relations
JOVIAN Financial Communications Limited
Room 918-920, 9th 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

GOLIK HOLDINGS LIMITED

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

Galvanized Steel Wire Production Line in Heshan, Guangdong, the PRC

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, 2008.

Pang Tak Chung, Chairman

BUSINESS REVIEW

For the year ended 31st December, 2008, the Group's turnover totalled HK$3,546,116,000, representing an increase of around 30% on 2007. Turnover growth was mostly due to the substantial increase in most commodity prices across the board during the first three quarters of the year. Excluding these factors, the Group's operations have remained fairly stable over the course of the year together with modest growth.

After the deduction of minority interests, profit attributable to the equity holders of the Company is approximately HK$42,183,000, a relative increase of 53% to prior year. Although there is an increase in profit, the outcome fell short of expectations due to the financial crisis in the fourth quarter that paved the way to a rapidly deteriorating global economy and pushing down commodity prices significantly – in particular steel products. Accordingly, provisions for impairment of inventory at year-end for steel products had been allowed for by the Group.

2008 had been a very challenging year. During the first three quarters, the combined efforts of the Management and staff in most of the operations staved off difficult market challenges to achieve commendable results with turnovers and profits reaching new heights. The global economy has been affected by the financial crisis with the breadth of the business sector being impacted at an unprecedented level. The negative effects, many of which were out of our expectations and control had stifled the momentum in growth displayed during the first three quarters, thereby significantly undermining the Group's overall performance throughout the year.

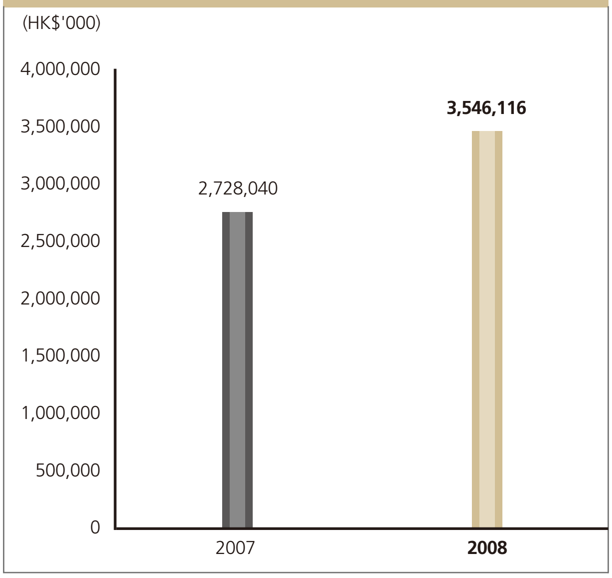
Steel and Metal Products

1. **Steel Coil Processing**

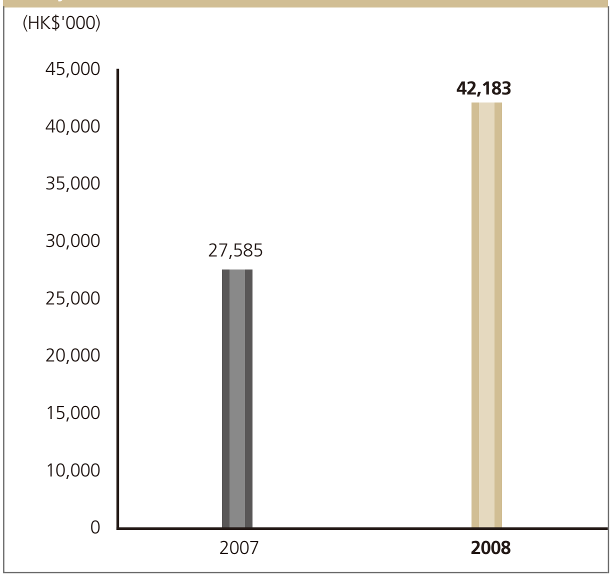
   The Group's steel coil processing business unit mainly supplies raw materials in the form of slit steel coil to export manufacturers of stationary, home appliances, metal products and so forth along the Pearl River Delta Region.

Chairman's Statement

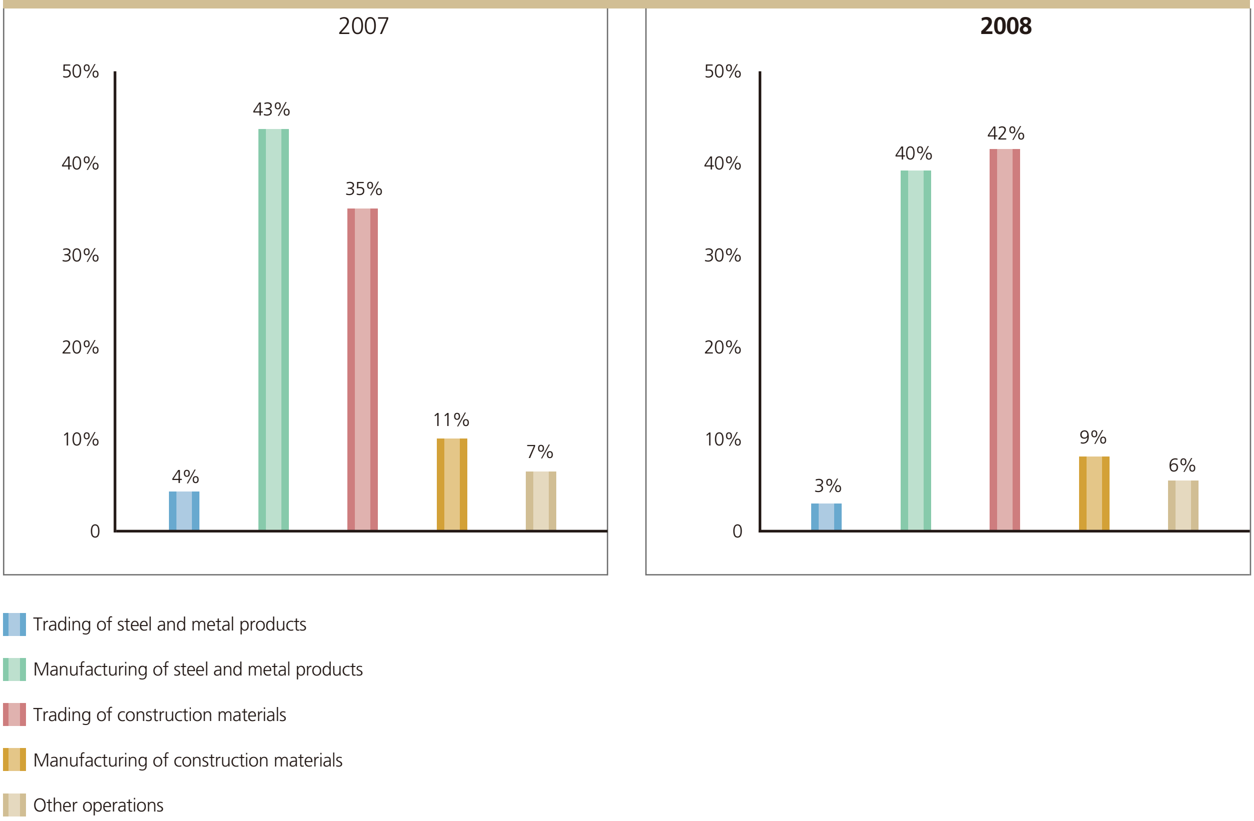
Turnover for the years ended 31st December, 2007 and 2008



Profit attributable to equity holders of the Company for the years ended 31st December, 2007 and 2008



Turnover by business segments for the years ended 31st December, 2007 and 2008



BUSINESS REVIEW *(continued)*

Steel and Metal Products *(continued)*

1. Steel Coil Processing *(continued)*

During the year, the steel coil processing business continues to encounter adverse circumstances such as constricting policies by the Government of the People's Republic of China (the "PRC") against value-adding industries, capital financing hurdles, raw material price fluctuations, contracting market demands and so forth. In confronting the strain of the aforementioned operating conditions, the Management levied adjustments in operational strategies through multiple cost-reduction disciplines to minimise overall operating overheads. With the endeavour of the Management and staff, the steel coil processing business maintained a satisfactory profit outcome during the year despite signs of a downtrend compared to the previous year.

The rapid deterioration of the global economy has exerted great stress on exports from the Pearl River Delta Region. And even the introduction of stimulus measures by the PRC Government to spur domestic demand for these export manufacturers has had limited effects. Prior to the recovery of global economic conditions, the steel coil processing business will still be subjected to some tough times ahead. In light of the current business environment, the Management has appropriately curtailed operational targets to safely navigate through this strenuous and fragile period.

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

The Group's Steel Wire products that mainly supply to the PRC domestic market had been greatly spared from the brunt of the global economic meltdown. During the year, solid growth in sales and profitability were sustained.

In November 2008, the Group entered into an acquisition agreement with Bridon Hong Kong Limited. Upon completion of the acquisition, the Group's indirect interest in "Bridon Tianjin Rope Ltd." increased from 22.6% to 75.5%, subsequently the business name also changed to "Tianjin Goldsun Wire Rope Ltd." to correspond to future developments. At present, the business is one of the major lift cable manufacturers in the PRC with a domestic market share in elevator wire ropes of more than 40%. The acquisition will further strengthen the Group's position in high-valued added steel wire products, and in the long-run it will provide steady profit contributions to the Group.

During the year, the steel wire operation located in Heshan, Guangdong Province completed its expansion and technical transformation programme. The new galvanized steel wire production line acquired from abroad has been successfully put into production in the fourth quarter bringing in significant improvements in both quality and cost efficiency.

Construction Material Products

1. Steel Re-bars Stockholding and Distribution

The steel distribution business mainly supplies steel reinforcement bars to the construction industries in both Hong Kong and Macau.

The financial crisis has likewise impacted the construction industry in both Hong Kong and Macau. Insufficient funds together with the credit squeeze in the money market have led to postponements or suspensions of some private development projects. The unexpected downturn has completely reversed the positive momentum of the steel distribution business that was displayed during the first three quarters. In addition, the massive fall in steel prices in the fourth quarter has led to inventory impairment provisions by the Group at year-end. Because of external factors, the overall steel distribution business was affected and performance is not as ideal. Although profitability was maintained throughout the year, performance fell short of expectations.

Chairman's Statement

BUSINESS REVIEW *(continued)*

Construction Material Products *(continued)*

2. **Ready Mixed Concrete Products**

   Over the course of the year, performance from the concrete business was commendable with the Hong Kong based operation achieving ideal results in operational performance.

   However, the financial crisis has inevitably spurred the sudden contraction in the construction sector and at the same time affected the demand of concrete that have since fallen sharply. The deep reverberations through the business will begin to surface in the early part of 2009 and market demand is expected to decelerate and drag on for the coming six to twelve months. With the gradual unfreezing of the capital markets, some of the postponed or suspended private development projects have resumed. Moreover, a number of public infrastructure projects are also being progressively rolled out thus business outlook for the concrete operation remains upbeat.

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, 2008, the total bank balances and cash of the Group reached approximately HK$289,894,000. As at 31st December, 2008, current ratio (current assets to current liabilities) for the Group was 1.31:1.

As at 31st December, 2008, total borrowings for the Group were approximately HK$722,425,000.

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, 2008, equity attributable to equity holders of the Company reached approximately HK$536,039,000.

As at 31st December, 2008, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.69:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2008, the total number of staff of the Group was 1,578. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees. Share options may also be granted as an incentive or reward to eligible employees in accordance with the share option scheme adopted on 27th May, 2004.

PROSPECT

Looking ahead, the macro environment in 2009 will continue to be severely stressed and businesses are expected to noticeably slump, in particular steel coil processing businesses that are over-reliant on export-oriented manufacturing industries. Steel wire products that supply to the PRC domestic market could remain relatively steadfast, and in the year ahead there will be steady growth.

Within the economic stimulus packages of the PRC and Hong Kong Governments, both share common programs that are firmly focused on infrastructure investments. The boost in infrastructure investments will provide better and wider opportunities for the Group's construction material operations. It is expected that the construction material operations will become the Group's growth driver for the coming few years.

The Group merits long-term sustainable growth, and we believe the repercussions and adversity brought on by the current financial turmoil will persist for an extended period of time. Critically though, the consequences resulted from the crisis will eventually wither away. So in the face of adversity, the virtue of confidence is most valuable. The Group will uphold its prudent approach, and fathom sound and flexible growth strategies to continually endeavour and invest in long-term sustainable income-generating activities for our shareholders thus ensuring sturdy growth of the business.

ACKNOWLEDGEMENT

I would like to take this opportunity extend my heartfelt appreciation to all staff and the Management for their past contributions and accomplishments, and to also thankfully acknowledge the enduring support of our customers, shareholders, banks and business counterparts. With your continuing support, the Group looks forward to bring about more successful results in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 15th April, 2009

Directors of the Group

Mr. Pang Tak Chung, aged 60, has been the chairman of the Company since 1996. Mr. Pang is the founder of Golik Metal Industrial Company Limited ("Golik Metal") in 1977 and a director of Golik Investments Ltd. which is a substantial shareholder of the Company. He is responsible for strategic planning, overall management and corporate development of the Group. He has over 33 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. He also has extensive experience in international trading practices. In addition, Mr. Pang is a member of the Twelfth Chinese People's Political Consultative Conference Tianjin Municipal Committee and the Honorary Citizen of both Jiangmen and Heshan, Guangdong Province.

Mr. Ho Wai Yu, Sammy, aged 53, is the vice chairman and company secretary of the Company and finance director of the Group responsible for finance, accounting and information technology development of the Group. Mr. Ho is a fellow member of Association of Chartered Certified Accountants, an associate member of Hong Kong Institute of Certified Public Accountants, a full member of Chartered Management Institute in the United Kingdom, a full member of Hong Kong Computer Society and a founder and permanent honorable president of IT Accountants Association. He has over 28 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 64, has been appointed as executive director of the Company and the managing director of the Concrete Division of the Group since 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 24 years.

Mr. Yu Kwok Kan, Stephen, aged 53, has been appointed as an independent non-executive director of the Company since 1997 and is a member of the Company's audit committee and remuneration committee. 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 28 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 53, holds MBA from the University of Macau. Mr. Chan has been appointed as an independent non-executive director of the Company since 2004 and is a member of the Company's audit committee and remuneration committee. He is the Managing Director of Modern Marketing Limited and a senior executive with over 20 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 51, has been appointed as an independent non-executive director of the Company since 2004 and is a member of the Company's audit committee and remuneration committee. Mr. Lo is the proprietor of Y.T. Lo & Co., Certified Public Accountants and has over 23 years of experience in statistical, accounting, auditing and financial restructuring work. He is currently a member of Hong Kong Institute of Certified Public Accountants and a Certified Public Accountants (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company has complied with code provisions (with the exception of code provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) set out in the CG Code throughout the year ended 31st December, 2008. Explanations for such non-compliance are provided and discussed below.

Despite the removal of the requirement for a qualified accountant, the Group continues to maintain a team of qualified accountants to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standards set out in Appendix 10 to the Listing Rules ("Model Code"). Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2008.

BOARD OF DIRECTORS

The board currently comprises three executive directors and three independent non-executive directors.

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

Executive Directors

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

Non-Executive Director

Mr. Robert Keith Davies *(resigned on 30th June, 2008)*

Independent Non-Executive Directors

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

Mr. Robert Keith Davies has tendered his resignation as a Non-Executive Director and a member of Remuneration Committee of the Company with effect from 30th June, 2008.

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

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

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

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

TERMS OF NON-EXECUTIVE DIRECTORS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Pang Tak Chung currently holds both positions. The Board believes that vesting the roles of both chairman and chief executive officer in the same person provides the Company with strong and consistent leadership, efficiency usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of the Company's business efficiently.

Corporate Governance Report

BOARD MEETINGS

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

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

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

AUDIT COMMITTEE

The Group established its Audit Committee on 5th January, 1999. To ensure on-going compliance with the newly amended CG Code, the terms of reference have been revised in line with the amended CG Code to take into account the responsibility for reviewing the adequacy of staffing of the accounting and financial reporting function and the oversight role of the Audit Committee. The revised terms of reference are available on the Company's website.

The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. The Chairman of the Audit Committee is Mr. Yu Kwok Kan, Stephen. The Audit Committee shall meet at least twice a year to review the Group's financial reporting process and internal controls.

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held one meeting during the year and discussed and reviewed the remuneration package of executive directors and the remuneration policy for executive directors for the year ended 31st December, 2008.

NOMINATION OF DIRECTORS

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

Corporate Governance Report

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2008

	Number of Meetings attended/held during the year		
Name and Designation	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**
Executive Directors			
Mr. Pang Tak Chung *(Chairman)*	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*	4/4	N/A	N/A
Mr. John Cyril Fletcher	3/4	N/A	N/A
Non-Executive Director			
Mr. Robert Keith Davies *(resigned on 30th June, 2008)*	1/4	N/A	1/1
Independent Non-Executive Directors			
Mr. Yu Kwok Kan, Stephen	4/4	4/4	1/1
Mr. Chan Yat Yan	4/4	4/4	1/1
Mr. Lo Yip Tong	4/4	4/4	1/1

N/A: Not Applicable

INTERNAL CONTROL

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

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

AUDITOR'S REMUNERATION

During the year ended 31st December, 2008, the fees paid/payable to the auditor in respect of audit and non-audit services provided by the auditor of the Company were as follows:

Nature of services	**Amount** (HK$'000)
Review fee for 2008 interim results	330
Audit fee for 2008 final results	2,793
Major acquisition of additional interests in associates	986
Audit service fee for Occupational Retirement Schemes	7
Total audit services	4,116

SHAREHOLDER RELATIONS

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

AGM proceedings are reviewed periodically to ensure that the Group follows best corporate governance practices. Since poll voting becomes mandatory for all general meetings effective from 1st January, 2009, the chairman of the 2009 AGM will therefore demand a poll for each resolution put to vote of the AGM in accordance with bye-law 66 of the Company's Bye-laws. A circular with notice of the AGM will be distributed to all shareholders at least 20 clear business days prior to the AGM, setting out details of each proposed resolution, poll voting procedures and other relevant information. The chairman will explain the poll voting procedures again at the beginning of the meeting. After the meeting, the poll voting results will be published in accordance with the Listing Rules and available on the websites of the Stock Exchange and the Company.

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

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2008.

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 46, 18 and 19 to the consolidated financial statements, respectively.

During the year, the Group acquired an additional 70% equity interest in an associate, China Rope Holdings Limited and its subsidiary, Bridon Tianjin Rope Ltd.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 19.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 1.5 HK cents per share to the shareholders whose names appear on the register of members of the Company on 10th June, 2009, amounting to HK$8,510,000.

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$85.4 million. In addition, property, plant and equipment with carrying values of approximately HK$0.5 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 option scheme of the Company are set out in notes 33 and 34 to the consolidated financial statements, respectively.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2008 were as follows:

	2008	2007
	HK$'000	HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**59,240**	34,062
	125,131	99,953

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

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

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

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 *(resigned on 30th June, 2008)*

Independent Non-Executive Directors

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

Directors' Report

DIRECTORS *(continued)*

In accordance with bye-laws 87(1) and (2) of the Company's Bye-laws, Messrs. Pang Tak Chung and John Cyril Fletcher 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, 2008, the interests or the short positions of the directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(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)*	145,824,708	195,646,500	341,471,208	60.19%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. John Cyril Fletcher	150,000	–	150,000	0.03%

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

Share options

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

No share option was outstanding as at 1st January, 2008 and 31st December, 2008.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(2) Shares in subsidiaries

As at 31st December, 2008, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and a controlled corporation, World Producer Limited, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 31st December, 2008, none of the directors and chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations and at no time during the year, had any interest in, or had been granted, or exercised, any right to subscribe for shares (or warrants or debentures, if applicable) of the Company or any of its associate corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2008, so far as known to any director of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under section 336 of the SFO as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

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

Save as disclosed above, the directors are not aware of any other person (other than a director or chief executive of the Company) who, as at 31st December, 2008, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 45% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 20% of the Group's total purchases for the year.

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 are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Pang Tak Chung
Chairman

15th April, 2009

Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Golik Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 75, which comprise the consolidated balance sheet as at 31st December, 2008, 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, 2008 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

15th April, 2009

Consolidated Income Statement

For the year ended 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	5	**3,546,116**	2,728,040
Cost of sales		**(3,262,336)**	(2,510,794)
Gross profit		**283,780**	217,246
Other income	6	**25,769**	27,616
Interest income		**2,644**	2,783
Selling and distribution costs		**(91,646)**	(77,079)
Administrative expenses		**(141,120)**	(113,087)
Gain on disposal of assets classified as held for sale		**6,110**	–
(Loss) gain on disposal of property, plant and equipment		**(157)**	4,875
(Decrease) increase in fair value on investment properties		**(520)**	2,910
Discount on acquisition of subsidiaries		**12,000**	–
Impairment loss on goodwill		**(3,598)**	(1,500)
Finance costs	7	**(40,455)**	(35,076)
Share of results of jointly controlled entities		**(12)**	176
Share of results of associates		**7,392**	2,150
Profit before taxation		**60,187**	31,014
Income taxes	8	**(9,505)**	(807)
Profit for the year	9	**50,682**	30,207
Attributable to:			
Equity holders of the Company		**42,183**	27,585
Minority interests		**8,499**	2,622
		50,682	30,207
Dividend	12		
Paid		**6,808**	12,482
Proposed		**8,510**	6,808
		HK cents	HK cents
Earnings per share	13		
Basic		**7.43**	4.86

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current Assets			
Goodwill	14	**1,965**	5,563
Investment properties	15	**16,790**	17,310
Property, plant and equipment	16	**287,138**	225,077
Prepaid lease payments	17	**33,295**	33,276
Interests in jointly controlled entities	18	**1,767**	1,779
Interests in associates	19	**–**	8,857
Long-term receivables	20	**2,462**	2,356
Rental and other deposits		**1,268**	1,368
Deposits paid for acquisition of property, plant and equipment		**7,000**	10,524
Amounts due from jointly controlled entities	21	**7,037**	7,009
		358,722	313,119
Current Assets			
Inventories	22	**418,471**	325,489
Trade and other receivables	23	**542,884**	644,722
Amount due from an associate	24	**–**	527
Prepaid lease payments	17	**858**	837
Income tax recoverable		**273**	2,258
Pledged bank deposits	25	**26,203**	6,846
Bank balances and cash	26	**263,691**	163,279
		1,252,380	1,143,958
Assets classified as held for sale	27	**–**	22,484
		1,252,380	1,166,442
Current Liabilities			
Trade and other payables	28	**224,184**	248,232
Amounts due to minority shareholders	29	**21,391**	3,779
Income tax payable		**6,668**	1,496
Derivative financial instruments	30	**595**	13
Bank borrowings	31	**700,686**	640,417
Obligations under finance leases	32	**2,180**	2,340
Bank overdrafts – unsecured		**2,956**	738
		958,660	897,015
Net Current Assets		**293,720**	269,427
		652,442	582,546

Consolidated Balance Sheet

At 31st December, 2008

	NOTES	**2008 HK$'000**	2007 HK$'000
Capital and Reserves			
Share capital	33	**56,736**	56,736
Share premium and reserves		**479,303**	427,063
Equity attributable to equity holders of the Company		**536,039**	483,799
Minority interests		**88,091**	79,344
Total Equity		**624,130**	563,143
Non-current Liabilities			
Deferred tax liabilities	35	**11,709**	11,163
Bank borrowings	31	**15,964**	5,838
Obligations under finance leases	32	**639**	2,402
		28,312	19,403
		652,442	582,546

The consolidated financial statements on pages 19 to 75 were approved and authorised for issue by the Board of Directors on 15th April, 2009 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (note)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2007	56,736	318,118	19,566	6,361	3,389	55,367	459,537	82,600	542,137
Exchange difference arising from the translation of foreign operations recognised directly in equity	–	–	–	9,159	–	–	9,159	2,041	11,200
Profit for the year	–	–	–	–	–	27,585	27,585	2,622	30,207
Total recognised income for the year	–	–	–	9,159	–	27,585	36,744	4,663	41,407
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(6,900)	(6,900)
Dividend paid	–	–	–	–	–	(12,482)	(12,482)	–	(12,482)
Acquisition of additional interest in a subsidiary from minority shareholder	–	–	–	–	–	–	–	(1,019)	(1,019)
At 31st December, 2007	56,736	318,118	19,566	15,520	3,389	70,470	483,799	79,344	563,143
Exchange difference arising from the translation of foreign operations	–	–	–	9,572	–	–	9,572	2,045	11,617
Revaluation surplus on property, plant and equipment	–	–	8,467	–	–	–	8,467	650	9,117
Deferred tax liabilities arising on revaluation of property, plant and equipment	–	–	(1,397)	–	–	–	(1,397)	(107)	(1,504)
Effect on change in tax rate	–	–	223	–	–	–	223	–	223
Net gain recognised directly in equity	–	–	7,293	9,572	–	–	16,865	2,588	19,453
Profit for the year	–	–	–	–	–	42,183	42,183	8,499	50,682
Total recognised income for the year	–	–	7,293	9,572	–	42,183	59,048	11,087	70,135
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(11,600)	(11,600)
Dividend paid	–	–	–	–	–	(6,808)	(6,808)	–	(6,808)
Acquisition of subsidiaries	–	–	–	–	–	–	–	9,260	9,260
At 31st December, 2008	**56,736**	**318,118**	**26,859**	**25,092**	**3,389**	**105,845**	**536,039**	**88,091**	**624,130**

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

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**60,187**	31,014
Adjustments for:		
Amortisation of prepaid lease payments	**847**	1,199
Change in fair value of derivative financial instruments	**(1,500)**	(3,079)
Write down of inventories	**59,197**	4,080
Depreciation	**37,155**	35,838
Allowance for (write back of) bad and doubtful debts	**4,909**	(4,634)
Interest income	**(2,644)**	(2,783)
Gain on disposal of assets classified as held for sale	**(6,110)**	–
Loss (gain) on disposal of property, plant and equipment	**157**	(4,875)
Decrease (increase) in fair value of investment properties	**520**	(2,910)
Discount on acquisition of subsidiaries	**(12,000)**	–
Impairment loss on goodwill	**3,598**	1,500
Unrealised foreign exchange loss (gain)	**139**	(2,527)
Finance costs	**40,455**	35,076
Share of results of jointly controlled entities	**12**	(176)
Share of results of associates	**(7,392)**	(2,150)
Operating cash flows before movements in working capital	**177,530**	85,573
Increase in inventories	**(114,256)**	(27,073)
Decrease (increase) in trade and other receivables	**145,632**	(179,247)
Change in derivative financial instruments	**2,082**	2,770
Increase in amount due from an associate	**–**	(33)
(Decrease) increase in trade and other payables	**(83,591)**	49,151
Cash generated from (used in) operations	**127,397**	(68,859)
Hong Kong Profits Tax paid	**–**	(3,515)
Taxation outside Hong Kong paid	**(5,201)**	(2,274)
Hong Kong Profits Tax refunded	**713**	2
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**122,909**	(74,646)

Consolidated Cash Flow Statement

For the year ended 31st December, 2008

	NOTE	**2008** HK$'000	2007 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(46,294)**	(24,336)
Deposits paid for acquisition of property, plant and equipment		**(7,000)**	(10,524)
(Increase) decrease in pledged bank deposits		**(18,934)**	18,587
Advance of loans		**–**	(250)
Advance to jointly controlled entities		**(28)**	(47)
Proceeds from disposal of assets classified as held for sale		**28,594**	–
Proceeds from disposal of property, plant and equipment		**360**	5,543
Proceeds from disposal of investment properties		**–**	11,500
Repayment of loans advanced		**840**	1,036
Interest received		**2,623**	2,758
Consideration on acquisition of additional interest in a subsidiary		**–**	(1,088)
Net cash received on acquisition of subsidiaries	43	**24,521**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(15,318)**	3,179
FINANCING ACTIVITIES			
Bank loans raised		**197,289**	180,600
Repayment of bank loans		**(155,375)**	(182,673)
Interest paid		**(40,085)**	(34,480)
Dividend paid to minority shareholders of subsidiaries		**(11,600)**	(6,900)
Dividend paid		**(6,808)**	(12,482)
Net borrowing of trust receipt loans		**572**	148,528
Repayment of mortgage loans		**(2,417)**	(2,217)
Repayment of obligations under finance leases		**(2,363)**	(3,226)
Advance from minority shareholders		**8,745**	864
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(12,042)**	88,014
NET INCREASE IN CASH AND CASH EQUIVALENTS		**95,549**	16,547
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**162,541**	142,949
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,645**	3,045
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**260,735**	162,541
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**263,691**	163,279
Bank overdrafts		**(2,956)**	(738)
		260,735	162,541

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

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

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

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

In the current year, the Group has applied the following amendments and interpretations ("HK(IFRIC) – Int") (collectively the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfer of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
2 Effective for annual periods beginning on or after 1st January, 2009
3 Effective for annual periods beginning on or after 1st July, 2009
4 Effective for annual periods ending on or after 30th June, 2009
5 Effective for annual periods beginning on or after 1st July, 2008
6 Effective for annual periods beginning on or after 1st October, 2008
7 Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

When a business combination involves more than one exchange transaction, each exchange transaction shall be treated separately by the acquirer, using the cost of the transaction and fair value information at the date of each exchange transaction to determine the amount of any goodwill associated with that transaction. Any adjustment to those fair values relating to previously held interests of the Group is credited to the revaluation reserve.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of additional interest in a subsidiary

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

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

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

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

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

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

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

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(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.

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.

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.

Revenue recognition

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

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

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

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

Investment properties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

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

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated 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 buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Depreciation is provided to write off the cost or valuation of items 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%

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

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 retranslation 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 exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

All 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 consolidated 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.

Inventories

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

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

Assets classified as held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial assets

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

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

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

Effective interest method

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

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of loans and receivables *(continued)*

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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

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

Equity instruments

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

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 receivable 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets 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. An 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of goodwill is HK$1,965,000 (2007: HK$5,563,000). Details of the recoverable amount calculation are disclosed in note 14.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The amount write off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, significant judgments are required. In making this judgment, the Company evaluates, among other factors, the duration and extent and the means by which the amount will be recovered. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in customer preference and competitor actions in response to market conditions. As at 31st December, 2008, the carrying amount of inventories is HK$418,471,000 (2007: HK$325,489,000).

Income taxes

As at 31st December, 2008, a deferred tax asset of HK$6,080,000 (2007: HK$7,737,000) in relation to unused tax losses has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses of HK$658,886,000 (2007: HK$659,628,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Segment information about these businesses is presented below:

2008

	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	1,432,570	102,380	326,165	1,492,960	192,041	–	3,546,116
Inter-segment sales	27,119	642	4,452	51,659	–	(83,872)	–
Total turnover	1,459,689	103,022	330,617	1,544,619	192,041	(83,872)	3,546,116

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	72,063	(2,682)	9,182	17,357	328	(594)	95,654
Unallocated other income							5,943
Unallocated corporate expenses							(22,847)
Gain on disposal of assets classified as held for sale							6,110
Impairment loss on goodwill	–	–	(1,098)	–	(2,500)	–	(3,598)
Discount on acquisition of subsidiaries	12,000	–	–	–	–	–	12,000
Finance costs							(40,455)
Share of results of jointly controlled entities	–	–	–	–	(12)	–	(12)
Share of results of associates	7,392	–	–	–	–	–	7,392
Profit before taxation							60,187
Income taxes							(9,505)
Profit for the year							50,682

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2008 *(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	688,628	49,157	178,719	292,769	97,780	(44,432)	1,262,621
Interests in jointly controlled entities	–	–	–	–	1,767	–	1,767
Amounts due from jointly controlled entities	–	1,518	–	–	5,519	–	7,037
Unallocated corporate assets							339,677
Consolidated total assets							1,611,102
LIABILITIES							
Segment liabilities	168,262	6,664	64,047	19,606	11,101	(40,689)	228,991
Unallocated corporate liabilities							757,981
Consolidated total liabilities							986,972

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	74,936	–	7,015	173	1,532	1,768	85,424
Depreciation	16,720	359	12,021	96	2,782	5,177	37,155
Amortisation of prepaid lease payments	559	–	192	–	–	96	847
Allowance for (write back of) bad and doubtful debts	4,036	–	417	(1,000)	1,456	–	4,909
Write down of (reversal of write down of) inventories	33,090	–	1,003	26,000	(896)	–	59,197
(Gain) loss on disposal of property, plant and equipment	(46)	–	69	3	131	–	157

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2007

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

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

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

5. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

2007 *(continued)*

CONSOLIDATED BALANCE SHEET

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

OTHER INFORMATION

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

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	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**2,164,933**	1,582,149
Other regions in the PRC	**999,060**	728,823
Macau	**220,071**	309,782
Australia	**88,647**	66,802
Others	**73,405**	40,484
	3,546,116	2,728,040

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**565,352**	635,924	**9,815**	5,960
Other regions in the PRC	**686,850**	582,746	**75,609**	17,329
Australia	**10,419**	9,601	**–**	–
	1,262,621	1,228,271	**85,424**	23,289

6. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Included in other income are:		
Gross rental income from investment properties	**795**	651
Less: direct operating expenses from investment properties that generated rental income during the year	**(103)**	(61)
Net rental income from investment properties	**692**	590
Rental income from property, plant and equipment and prepaid lease payments	**404**	1,357
	1,096	1,947
Change in fair value of derivative financial instruments	**1,500**	3,079

7. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**40,265**	34,656
Finance leases	**190**	420
	40,455	35,076

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. INCOME TAXES

	2008	2007
	HK$'000	HK$'000
The charge comprises:		
Current year		
Hong Kong	**3,014**	1,338
Outside Hong Kong	**7,284**	1,988
	10,298	3,326
Overprovision in prior years		
Hong Kong	**(46)**	(1,653)
Outside Hong Kong	**(20)**	(246)
	(66)	(1,899)
Deferred tax (note 35)		
Current year	**(395)**	(620)
Attributable to a change in tax rate	**(332)**	–
	(727)	(620)
	9,505	807

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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

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

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, the enterprise income tax rate of certain Group's subsidiaries in the PRC was reduced from 33% to 25% from 1st January, 2008 onwards. For certain Group's subsidiaries, the enterprise income tax rate is progressively increasing from 15% to 18%, 20%, 22%, 24% and 25% from 2008 to 2012 respectively. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

8. INCOME TAXES *(continued)*

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

	Hong Kong		PRC and others		Total	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**40,968**	27,202	**19,219**	3,812	**60,187**	31,014
Domestic income tax rate	**16.5%**	17.5%	**25%**	33%		
Tax at the domestic income tax rate	**6,760**	4,760	**4,805**	1,258	**11,565**	6,018
Tax effect of share of results of jointly controlled entities and associates	**(1,217)**	(407)	**–**	–	**(1,217)**	(407)
Tax effect of expenses not deductible for tax purpose	**1,267**	431	**445**	251	**1,712**	682
Tax effect of income not taxable for tax purpose	**(2,011)**	(1,343)	**(78)**	(218)	**(2,089)**	(1,561)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	**(2,970)**	(1,894)	**–**	–	**(2,970)**	(1,894)
Tax effect of tax losses not recognised	**3,996**	5,255	**2,515**	3,400	**6,511**	8,655
Tax effect of utilisation of tax loss previously not recognised	**(5,151)**	(5,461)	**(552)**	(1,299)	**(5,703)**	(6,760)
Tax effect of utilisation of other deductible temporary difference previously not recognised	**(142)**	(508)	**–**	–	**(142)**	(508)
Effect of tax exemption granted to PRC subsidiaries	**–**	–	**(540)**	(472)	**(540)**	(472)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(332)**	–	**–**	(170)	**(332)**	(170)
Withholding tax on retained profit to be distributed	**900**	–	**–**	–	**900**	–
Others	**1,187**	(114)	**689**	(763)	**1,876**	(877)
Overprovision in prior years	**(46)**	(1,653)	**(20)**	(246)	**(66)**	(1,899)
Income taxes for the year	**2,241**	(934)	**7,264**	1,741	**9,505**	807

Details of deferred taxation are set out in note 35.

9. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**847**	1,199
Auditor's remuneration		
Current year	**3,445**	2,993
Underprovision in prior years	**225**	378
Cost of inventories recognised as expense including write down of inventories of HK$59,197,000 (2007: HK$4,080,000)	**3,262,336**	2,510,794
Depreciation	**37,155**	35,838
Minimum lease payments for operating leases in respect of		
Land and buildings	**16,812**	16,178
Plant and machinery	**513**	1,440
	17,325	17,618
Net exchange loss	**1,008**	116
Staff costs including directors' emoluments and contributions to retirement benefits scheme	**112,677**	98,527
Allowance for (write back of) bad and doubtful debts, net	**4,909**	(4,634)

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,150,000 (2007: HK$2,072,000) are included under staff costs.

Of the Group's profit for the year of HK$50,682,000 (2007: HK$30,207,000), a profit of HK$31,986,000 (2007: a profit of HK$2,927,000) has been dealt with in the financial statements of the Company.

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For the year ended 31st December, 2008

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$'000**	**2008 Total HK$'000**
Fees	**–**	**–**	**–**	**–**	**113**	**113**	**113**	**339**
Other emoluments								
Salaries and other benefits	**4,034**	**2,328**	**1,548**	**–**	**–**	**–**	**–**	**7,910**
Contributions to retirement benefits scheme	**173**	**146**	**55**	**–**	**–**	**–**	**–**	**374**
	4,207	**2,474**	**1,603**	**–**	**113**	**113**	**113**	**8,623**

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

No director waived any emoluments for the two years ended 31st December, 2008.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two directors (2007: two directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining three individuals (2007: three individuals) are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**5,646**	4,789
Contributions to retirement benefits scheme	**36**	36
	5,682	4,825

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For the year ended 31st December, 2008

11. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
HK$1,000,001 – HK$1,500,000	**–**	2
HK$1,500,001 – HK$2,000,000	**2**	–
HK$2,000,001 – HK$2,500,000	**1**	1
	3	3

12. DIVIDEND

	2008 HK$'000	2007 HK$'000
Dividend paid:		
Final dividend in respect of 2007, approved and paid		
– 1.2 HK cents (2007: 2006 dividend paid of 2.2 HK cents) per ordinary share	**6,808**	12,482
Dividend proposed:		
Final dividend proposed for the year		
– 1.5 HK cents (2007: 1.2 HK cents) per ordinary share	**8,510**	6,808

The directors recommend the payment of a final dividend of 1.5 HK cents per share for the year ended 31st December, 2008 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 (2007: 567,362,500) ordinary shares in issue.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2007	34,288
Acquired on acquisition of additional interest in a subsidiary	69
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007 and 2008	**34,355**
IMPAIRMENT	
At 1st January, 2007	27,294
Impairment loss recognised	1,500
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007	28,792
Impairment loss recognised	3,598
At 31st December, 2008	**32,390**
CARRYING AMOUNT	
At 31st December, 2008	**1,965**
At 31st December, 2007	5,563

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 Nil (2007: HK$1,098,000) and HK$1,965,000 (2007: HK$4,465,000) respectively.

During the year ended 31st December, 2008, the Group recognised an impairment loss of HK$1,098,000 (2007: HK$200,000) for Unit A and HK$2,500,000 (2007: HK$1,300,000) for Unit B due to increased competition in the business.

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

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses the estimation of the cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 11% (2007: 7%). The cash flows beyond the 5-year period are extrapolated using a zero growth rate. 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.

14. GOODWILL *(continued)*

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 10% (2007: 7%). The cash flows beyond the 5-year period are extrapolated using a zero growth rate. 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.

15. INVESTMENT PROPERTIES

	2008 **HK$'000**	2007 HK$'000
FAIR VALUE		
At beginning of the year	**17,310**	25,900
Disposal	**–**	(11,500)
(Decrease) increase in fair value	**(520)**	2,910
At end of the year	**16,790**	17,310

The Group's investment properties comprise:

	2008 **HK$'000**	2007 HK$'000
Properties held under medium-term leases:		
In Hong Kong	**14,300**	14,660
Other regions in the PRC	**2,490**	2,650
	16,790	17,310

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

The fair value of the Group's investment properties as at 31st December, 2008 and 31st December, 2007 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 was arrived at by reference to market evidence of transaction prices for similar 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, 2007	94,716	22,946	16,383	56,600	292,370	218	2,947	486,180
Exchange differences	969	80	227	2,688	7,983	16	23	11,986
Additions	1,748	1,143	1,011	4,294	9,002	5,108	983	23,289
Disposals	(261)	(492)	(379)	(1,817)	(723)	–	–	(3,672)
Reclassification	–	87	–	–	1,532	(1,454)	(165)	–
Transfer to assets classified as held for sale	(9,370)	(264)	–	–	–	–	–	(9,634)
At 31st December, 2007	87,802	23,500	17,242	61,765	310,164	3,888	3,788	508,149
Exchange differences	866	101	227	2,517	7,305	239	71	11,326
Acquisition of subsidiaries	–	–	496	874	26,457	22	–	27,849
Additions	1,037	–	1,288	1,069	28,398	9,698	16,085	57,575
Eliminated on revaluation	(18,522)	–	–	–	–	–	–	(18,522)
Disposals	(573)	–	(174)	(565)	(7,847)	(172)	(56)	(9,387)
Reclassification	7,096	–	–	–	12,905	(8,440)	(11,561)	–
At 31st December, 2008	**77,706**	**23,601**	**19,079**	**65,660**	**377,382**	**5,235**	**8,327**	**576,990**
Comprising:								
At cost	–	23,601	19,079	65,660	377,382	5,235	8,327	499,284
At valuation – 2008	77,706	–	–	–	–	–	–	77,706
	77,706	**23,601**	**19,079**	**65,660**	**377,382**	**5,235**	**8,327**	**576,990**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2007	14,718	18,715	14,056	35,133	161,015	–	2,638	246,275
Exchange differences	161	23	166	1,645	3,902	–	–	5,897
Provided for the year	7,628	1,090	952	5,773	20,395	–	–	35,838
Eliminated on disposals	(261)	(472)	(368)	(1,195)	(708)	–	–	(3,004)
Transfer to assets classified as held for sale	(1,670)	(264)	–	–	–	–	–	(1,934)
At 31st December, 2007	20,576	19,092	14,806	41,356	184,604	–	2,638	283,072
Exchange differences	195	30	167	1,726	4,016	–	–	6,134
Provided for the year	7,429	1,093	961	5,558	22,114	–	–	37,155
Eliminated on disposals	(561)	–	(108)	(524)	(7,677)	–	–	(8,870)
Eliminated on revaluation	(27,639)	–	–	–	–	–	–	(27,639)
At 31st December, 2008	**–**	**20,215**	**15,826**	**48,116**	**203,057**	**–**	**2,638**	**289,852**
CARRYING VALUES								
At 31st December, 2008	**77,706**	**3,386**	**3,253**	**17,544**	**174,325**	**5,235**	**5,689**	**287,138**
At 31st December, 2007	67,226	4,408	2,436	20,409	125,560	3,888	1,150	225,077

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

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$1,083,000 (2007: HK$783,000) and HK$6,015,000 (2007: HK$7,428,000) respectively in respect of assets held under finance leases.

Buildings were revalued as at 31st December, 2008 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, using depreciated replacement cost method by making reference on the construction cost required to rebuild the building and deducting for physical deterioration and all relevant forms of obsolescence and optimisation. Messrs. LCH (Asia-Pacific) Surveyors Limited are not connected to the Group.

At 31st December, 2008, if the 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$60,950,000 (2007: HK$59,214,000).

17. PREPAID LEASE PAYMENTS

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**16,968**	17,402
Land use right in the PRC under medium-term lease	**17,185**	16,711
	34,153	34,113
Analysed for reporting purposes as:		
Current asset	**858**	837
Non-current asset	**33,295**	33,276
	34,153	34,113

As at 31st December, 2007 prepaid lease payments with carrying values of HK$14,784,000 have been transferred to assets classified as held for sale.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2008 HK$'000	2007 HK$'000
Cost of investments (unlisted)	**1,257**	1,257
Share of post-acquisition profits	**510**	522
	1,767	1,779

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

Particulars of the jointly controlled entities as at 31st December, 2008 and 2007 are as follows:

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

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

	2008 HK$'000	2007 HK$'000
Non-current assets	**1,803**	1,915
Current assets	**4,554**	4,480
Current liabilities	**(3,543)**	(3,804)
	2,814	2,591
Income	**3,126**	4,747
Expenses	**(3,138)**	(4,571)
(Loss) profit for the year	**(12)**	176

19. INTERESTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of investments (unlisted)	**–**	5,449
Share of net post-acquisition profits	**–**	4,822
Less: Unrealised gain on disposal of a subsidiary in prior years	**–**	(1,414)
	–	8,857

As set out in note 43, the Group acquired additional interests in associates during the year and such associates have become subsidiaries of the Group.

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19. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the associates as at 31st December, 2007 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:

	2008 HK$'000	2007 HK$'000
Non-current assets	–	25,679
Current assets	–	73,830
Current liabilities	–	(55,346)
Non-current liabilities	–	(1,050)
	–	43,113
Income	**254,000**	184,202
Expenses	**(224,828)**	(173,574)
Income taxes	**(3,969)**	(1,122)
Profit up to acquisition date/for the year	**25,203**	9,506

20. LONG-TERM RECEIVABLES

	2008 HK$'000	2007 HK$'000
Building mortgage loan (note a)	**55**	170
Other loans (note b)	**2,462**	2,089
Trade and other receivables (note c)	**2,913**	3,812
	5,430	6,071
Less: amounts due within one year shown under trade and other receivables	**(2,968)**	(3,715)
Amounts due after one year	**2,462**	2,356

20. LONG-TERM RECEIVABLES *(continued)*

Notes:

(a) The building mortgage loan bear interest at 3% (2007: 3%) above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009. The effective interest rate for the year is 8% (2007: 11%).

(b) Other loans are unsecured, bear fixed interest at 4% to 7% (2007: 5% to 7%) per annum. All are repayable within one year.

(c) The amounts are unsecured, interest free which aged over 120 days and are repayable by monthly instalments up to 2010.

21. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

The amounts are unsecured, interest-free and are not expected to be repaid within the next twelve months from the balance sheet date.

22. INVENTORIES

	2008	2007
	HK$'000	HK$'000
Raw materials	**136,071**	158,664
Work in progress	**21,016**	11,328
Finished goods	**260,193**	154,555
Supplies	**1,191**	942
	418,471	325,489

23. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, with an aged analysis (by invoice date) as follows:

	2008	2007
	HK$'000	HK$'000
0 – 30 days	**240,310**	262,918
31 – 60 days	**127,641**	158,038
61 – 90 days	**57,495**	80,271
91 – 120 days	**31,616**	42,258
More than 120 days	**27,300**	32,362
	484,362	575,847

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

23. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$185,393,000 (2007: HK$216,633,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

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

	2008	2007
	HK$'000	HK$'000
1 – 30 days	**119,937**	121,832
31 – 60 days	**34,936**	54,312
Over 60 days	**30,520**	40,489
Total	**185,393**	216,633

Movement in the allowance for doubtful debts:

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**24,924**	41,970
Exchange realignment	**429**	483
Impairment losses recognised	**5,931**	3,028
Impairment losses reversed	**(1,022)**	(7,662)
Amounts written off during the year	**(7,257)**	(12,895)
Balance at end of the year	**23,005**	24,924

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$23,005,000 (2007: HK$24,924,000) which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

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

24. AMOUNT DUE FROM AN ASSOCIATE

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

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets. The deposits carry fixed interest rate at 0.36% (2007: 0.72%) per annum.

Pledged bank deposits of the Group of approximately HK$17,132,000 (2007: Nil) were pledged to customers as collateral for the tender deposits and retention deposits of the construction projects.

26. BANK BALANCES AND CASH

The amount included deposits with an original maturity of three months or less which carry fixed interest rate of 0.1% (2007: 3.1%) per annum.

27. ASSETS CLASSIFIED AS HELD FOR SALE

On 25th April, 2007, Golik Concrete Limited, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Group's leasehold land and building (the "Property") located in Hong Kong under the medium term lease, which are expected to be sold within the next twelve months from the balance sheet date.

The above transaction was completed on 24th April, 2008. The consideration for the disposal of the Property paid by the third party was approximately HK$29 million with a gain on disposal of approximately HK$6 million credited to the consolidated income statement.

28. TRADE AND OTHER PAYABLES

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

	2008 **HK$'000**	2007 HK$'000
0 – 30 days	**69,810**	95,259
31 – 60 days	**22,306**	17,602
61 – 90 days	**9,307**	23,275
91 – 120 days	**1,304**	8,895
More than 120 days	**9,936**	22,737
	112,663	167,768

Included in trade and other payables is consideration payable with carrying amount of HK$20,837,000 arising from the acquisition of subsidiaries during the year as stated in note 43.

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st December, 2008, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of approximately HK$595,000 (2007: HK$13,000). The loss on change in fair value and gain on expiration of the foreign currency forward contracts amounting to HK$1,500,000 (2007: HK$3,079,000) has been recognised in consolidated income statement. The instruments purchased are to be settled on a net basis. Details of the outstanding foreign exchange forward contracts are stated in the below table.

As at 31st December, 2008

(i) Structured foreign exchange forward contracts

Notional amount at each maturity date	Maturity	Forward exchange rates
Buy US$300,000 or US$600,000	From July 2008 to June 2009 with monthly settlement on notional amount	Buying US$300,000 if market rate above contract rate of HK$7.719 to US$1 or buying US$600,000 if market rate at or below contract rate of HK$7.719 to US$1
Buy US$300,000 or US$600,000	From July 2008 to July 2009 with monthly settlement on notional amount	Buying US$300,000 if market rate at or above contract rate of HK$7.719 to US$1 or buying US$600,000 if market rate below contract rate of HK$7.719 to US$1
Buy US$1,000,000 or US$2,000,000	From February 2008 to January 2009 with monthly settlement on notional amount	Buying US$1,000,000 if market rate at or above contract rate of HK$7.726 to US$1 or buying US$2,000,000 if market rate below contract rate of HK$7.726 to US$1
Buy US$1,000,000 or US$2,000,000	From April 2008 to September 2009 with monthly settlement on notional amount	Buying US$1,000,000 if market rate at or above contract rate of HK$7.715 to US$1 or buying US$2,000,000 if market rate below contract rate of HK$7.715 to US$1
Buy US$1,000,000 or US$2,000,000	From July 2008 to June 2009 with monthly settlement on notional amount	Buying US$1,000,000 if market rate below contract rate of HK$7.713 to US$1 or buying US$2,000,000 if market rate at or above contract rate of HK$7.713 to US$1

30. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

As at 31st December, 2008 *(continued)*

(ii) Foreign exchange forward contracts

Notional amount at each maturity date	Maturity	Forward exchange rates
Buy US$1,544,000	23rd March, 2009	RMB7.126 to US$1
Buy US$1,248,000	23rd July, 2009	RMB7.21 to US$1

As at 31st December, 2007

(i) Structured foreign exchange forward contracts

Notional amount at each maturity date	Maturity	Forward exchange rates
Buy US$300,000 or US$600,000	From August 2007 to May 2008 with monthly settlement on notional amount	Buying US$300,000 if market rate above contract rate of HK$7.698 to US$1 or buying US$600,000 if market rate at or below contract rate of HK$7.698 to US$1
Buy US$300,000 or US$600,000	From February 2007 to July 2008 with monthly settlement on notional amount	Buying US$300,000 if market rate at or above contract rate of HK$7.7 to US$1 or buying US$600,000 if market rate below contract rate of HK$7.7 to US$1
Buy US$1,000,000 or US$2,000,000	From February 2008 to January 2009 with monthly settlement on notional amount	Buying US$1,000,000 if market rate at or above contract rate of HK$7.726 to US$1 or buying US$2,000,000 if market rate below contract rate of HK$7.726 to US$1

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31. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans	**200,780**	128,540
Mortgage loans	**5,803**	8,220
Trust receipt loans	**510,067**	509,495
	716,650	646,255
Analysed as:		
Secured	**27,574**	21,570
Unsecured	**689,076**	624,685
	716,650	646,255
The bank borrowings are repayable as follows:		
On demand or within one year	**700,686**	640,417
More than one year, but not exceeding two years	**8,955**	2,510
More than two years, but not exceeding three years	**7,009**	2,645
More than three years, but not exceeding four years	**–**	683
	716,650	646,255
Less: amounts due within one year shown under current liabilities	**(700,686)**	(640,417)
Amounts due after one year	**15,964**	5,838

The average effective borrowing rates are ranging from 3.4% to 7.33% (2007: 4.0% to 7.0%) per annum.

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

Denominated in	Interest rate per annum	2008 HK$'000	2007 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2.5%	**535,573**	499,612
	Fixed rate of 2.5%	**4,000**	–
United States dollars (note)	London Interbank Offered Rate ("LIBOR") plus 2.5%	**9,102**	29,492
Renminbi	10% to 20% mark up from People's Bank of China ("PBOC") lending rate	**56,696**	101,453
	Fixed rate of 5.346% to 8.964%	**111,064**	15,698
Others (note)	LIBOR plus 2.5%	**215**	–
		716,650	646,255

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

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32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,274**	2,536	**2,180**	2,340
In the second to fifth year inclusive	**701**	2,489	**639**	2,402
	2,975	5,025		
Less: future finance charges	**(156)**	(283)		
Present value of lease obligations	**2,819**	4,742	**2,819**	4,742
Less: amounts due within one year shown under current liabilities			**(2,180)**	(2,340)
Amounts due after one year			**639**	2,402

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2008, the average effective borrowing rates range from 4.3% to 7.0% (2007: 3.6% to 10%) per annum. All leases are on a fixed repayment basis.

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

33. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2007, 31st December, 2007 and 2008	**1,800,000,000**	**180,000**
Issued and fully paid:		
At 1st January, 2007, 31st December, 2007 and 2008	**567,362,500**	**56,736**

34. SHARE OPTION SCHEME

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

Summary of the Scheme

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

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

   (i) any eligible employee;
   (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
   (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
   (iv) any customer of the Group or any Invested Entity;
   (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and
   (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.

c. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,736,250 Shares which is 10% of the total issued share capital of the Company as at 31st December, 2008. 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.

34. 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.

35. DEFERRED TAXATION

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

	Accelerated accounting depreciation HK$'000	Revaluation on properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Withholding tax on retained profits to be distributed HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2007	2,922	(4,370)	(17,662)	7,375	–	–	(11,735)
Exchange differences	–	(48)	–	–	–	–	(48)
Credit (charge) to income statement for the year	269	(942)	732	362	–	199	620
At 31st December, 2007	3,191	(5,360)	(16,930)	7,737	–	199	(11,163)
Exchange differences	–	8	–	–	–	–	8
Charge to equity for the year	–	(1,504)	–	–	–	–	(1,504)
(Charge) credit to income statement for the year	(114)	–	2,591	(1,215)	(900)	33	395
Effect of change in tax rate to equity	–	223	–	–	–	–	223
Effect of change in tax rate to income statement	(182)	–	967	(442)	–	(11)	332
At 31st December, 2008	**2,895**	**(6,633)**	**(13,372)**	**6,080**	**(900)**	**221**	**(11,709)**

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

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35. DEFERRED TAXATION *(continued)*

At the balance sheet date, the Group has unused tax losses of HK$695,725,000 (2007: HK$703,869,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$36,839,000 (2007: HK$44,241,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$658,886,000 (2007: HK$659,628,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$14,673,000 (2007: HK$8,240,000) which will expire in the following years ending 31st December:

	2008	2007
	HK$'000	HK$'000
2008	**–**	1,398
2009	**468**	441
2010	**1,681**	1,583
2011	**1,428**	3,576
2012	**1,318**	1,242
2013	**9,778**	–
	14,673	8,240

At the balance sheet date, the Group has deductible temporary differences of HK$30,192,000 (2007: HK$30,047,000) in respect of accelerated accounting depreciation, allowance for doubtful debts and inventories. A deferred tax asset has been recognised in respect of HK$18,876,000 (2007: HK$19,370,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$11,316,000 (2007: HK$10,677,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$440,000 (2007: HK$771,000).

37. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged the following assets to banks and customers as securities against banking facilities granted to the Group and tender deposits and retention deposits of the construction projects:

	2008	2007
	HK$'000	HK$'000
Investment properties	**14,300**	14,660
Land and buildings and prepaid lease payments	**19,127**	18,770
Plant and machinery and equipment	**9,580**	11,302
Bank deposits	**26,203**	6,846
	69,210	51,578

In addition, the Group has pledged its 70% equity interest in China Rope Holdings Limited, a wholly owned subsidiary of the Company, to a third party to secure the obligations and liabilities of the consideration payable in relation to the acquisition of subsidiaries as set out in note 43.

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For the year ended 31st December, 2008

38. CONTINGENT LIABILITIES

At the balance sheet date, the Group has provided corporate guarantees to the extent of Nil (2007: HK$5,100,000) to a bank to secure the banking facilities granted to its associates. As at 31st December, 2007, the associates utilised the banking facilities of approximately HK$3,501,000. Such guarantee has been released by the bank upon the expiry of the banking facilities during the year. In the opinion of directors, the fair value of the financial guarantee contracts at the date of inception was 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:

	2008	2007
	HK$'000	HK$'000
Land and buildings:		
Within one year	**10,513**	12,247
In the second to fifth year inclusive	**7,105**	10,955
After five years	**5,953**	5,274
	23,571	28,476
Plant and machinery and equipment:		
Within one year	**408**	–
In the second to fifth year inclusive	**850**	–
	1,258	–

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, staff quarters and, plant and machinery are negotiated for terms ranging from one to twenty years.

39. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

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

	2008	2007
	HK$'000	HK$'000
Land and buildings:		
Within one year	**900**	690
In the second to fifth year inclusive	**375**	–
	1,275	690

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

40. CAPITAL COMMITMENTS

	2008	2007
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,277**	18,591

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 with maximium of 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$4,778,000 (2007: HK$3,688,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$355,000 (2007: HK$9,000).

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42. RELATED PARTY TRANSACTIONS

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

	Trade sales		Trade purchases		Rental charges		Acquisition of additional interest in a subsidiary		Acquisition of property, plant and equipment		Payment on behalf of the entities	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	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	**–**	–	**3,831**	5,038	**–**	–	**–**	–	**–**	–	**–**	–
Associates	**3,303**	–	**–**	–	**–**	–	**–**	–	**–**	–	**126**	27
Minority shareholders with significant influence over certain subsidiaries	**–**	–	**–**	–	**165**	155	**–**	1,088	**–**	2,865	**–**	–

Compensation of key management personnel

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

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

43. ACQUISITION OF SUBSIDIARIES

On 18th November, 2008, the Company entered into an agreement for acquisition of the remaining 70% of the issued share capital of China Rope Holdings Limited ("China Rope") and its subsidiary, Bridon Tianjin Rope Ltd. (collectively referred to as the "China Rope Group") at a consideration of HK$25,049,000, after deduction of transaction costs of HK$866,000. The consideration shall be payable (a) in cash on completion by China Rope to the seller of HK$4,212,000; (b) HK$12,000,000 to be satisfied by the issue of the First Promissory Note maturing on 31st March, 2009 by the Company on completion; and (c) HK$9,328,000 to be satisfied by the issue of the Second Promissory Note maturing on 31st July, 2009 by the Company on completion. The acquisition has been accounted for using the purchase method. Upon the completion on 1st December, 2008, China Rope became a wholly owned subsidiary of the Company.

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43. ACQUISITION OF SUBSIDIARIES *(continued)*

The net assets of the China Rope Group at the date of acquisition were as follows:

	Carrying amount and fair value
	HK$'000
Property, plant and equipment	27,849
Trade and other receivables	38,784
Inventories	34,860
Bank balances and cash	28,733
Trade and other payables	(33,697)
Amount due to the Company	(68)
Amount due to a minority shareholder of a subsidiary	(8,827)
Amounts due to the Company's subsidiaries	(56)
Income tax payable	(1,060)
Bank borrowings	(23,094)
Minority interests	(9,260)
Net assets of the China Rope Group	54,164
Less: Interests in associates	(16,249)
Discount on acquisition	(12,000)
Direct transaction costs	(866)
	25,049
Total consideration satisfied by:	
Cash	(4,212)
Other payable (Note)	(20,837)
	(25,049)
Net cash inflow arising on acquisition:	
Cash consideration	(4,212)
Bank balances and cash acquired	28,733
	24,521

Note: The consideration included the effect on discounting to present value on consideration payable of HK$491,000 at discount rate of 5.5% which is determined based on the interest rate of loans with similar terms of the Group.

43. ACQUISITION OF SUBSIDIARIES *(continued)*

The consideration of the above transaction was negotiated between the Company and the seller in June 2008 and the performance of the China Rope Group at the date of completion is better than the original expectation, resulting in a discount on acquisition.

The China Rope Group contributed HK$1,490,000 to the Group's profit for the period between the date of acquisition and 31st December, 2008.

If the acquisition had been completed on 1st January, 2008, the turnover of the Group for the year ended 31st December, 2008 would have been HK$3,795,612,000, and profit for the year ended 31st December, 2008 would have been HK$68,493,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1st January 2008, nor is it intended to be a projection of future results.

44. CAPITAL RISK MANAGEMENT

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

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

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

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**803,370**	782,144
Financial liabilities		
At amortised cost	**948,587**	883,934
Derivative financial instruments	**595**	13
Obligations under finance leases	**2,819**	4,742
	952,001	888,689

45. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

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

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

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

(c) Foreign currency risk management

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

(i) Non-derivative foreign currency monetary assets and monetary liabilities

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

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**826**	4,733	**15**	–
United States dollars	**38,117**	41,798	**16,503**	54,960
Renminbi	**10,357**	13,151	**8,070**	7,339
Others	**4,048**	243	**372**	126

Foreign currency sensitivity

The directors consider that the exposure of Hong Kong dollar against United States dollar is limited as Hong Kong dollar is pegged to United States dollar and the Group is mainly exposed to the currency risk of Renminbi against Hong Kong dollars and United States dollars and Hong Kong dollars against Renminbi.

The following table details the Group's sensitivity to a 5% (2007: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2007: 5%) is the sensitivity rate used in management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2007: 5%) change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in profit for the year where the functional currencies of the relevant group entities strengthens against the relevant foreign currencies. For a 5% (2007: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year.

45. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management *(continued)*

(i) Non-derivative foreign currency monetary assets and monetary liabilities *(continued)*

	Profit for the year	
	2008	2007
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**(41)**	(237)
United States dollars	**(133)**	(111)
Renminbi	**(114)**	(291)
Others	**(184)**	(6)

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

(ii) Foreign currency forward contracts

During the year, the Group has entered into several foreign currency forward contracts with banks. These derivatives are not accounted for under hedge accounting. The Group is required to estimate the fair value of the foreign currency forward contracts at each balance sheet date, which therefore exposed the Group to foreign currency risk.

Foreign currency sensitivity

The directors consider that the exposure of Hong Kong dollar against United States dollar is limited as Hong Kong dollar is pegged to United States dollar.

The sensitivity analyses below have been determined based on the exposure to the Group's forward exchange rate risk for contracts of Renminbi against United States dollar at the reporting date.

If the forward exchange rate of Renminbi against United States dollar had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would decrease/increase by HK$1,082,000 (2007: Nil).

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (note 25), fixed-rate other loans receivables (note 20) and fixed-rate bank borrowings and obligations under finance leases (notes 31 and 32). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly. The management considers the fair value interest rate risk to the Group is low.

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on building mortgage loan and variable-rate bank borrowings and obligations under finance leases (notes 20, 31 and 32 for details of these borrowings).

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

45. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management *(continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for building mortgage loan, variable-rate bank borrowings and obligations under finance leases. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was existed for the whole year. A 50 (2007: 50) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2007: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2008 would decrease/increase by HK$3,032,000 (2007: decrease/increase by HK$3,176,000).

(e) Credit risk management

As at 31st December, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

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

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

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

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

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

(f) Liquidity risk management

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

As at 31st December, 2008, the Group has available unutilised short and long-term bank loan facilities of approximately HK$358,198,000 and HK$16,207,000 (2007: HK$159,952,000 and HK$11,421,000) respectively.

45. FINANCIAL INSTRUMENTS *(continued)*

(f) Liquidity risk management *(continued)*

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

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

	Weighted average interest rate %	0 – 3 months HK$'000	4 – 6 months HK$'000	7 – 12 months HK$'000	1 – 2 year HK$'000	2 – 3 years HK$'000	3 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2008 HK$'000
2008									
Non-derivative instruments									
Trade and other payables	–	198,470	33	9,087	–	–	–	207,590	207,590
Bank borrowings									
– Fixed interest rate	6.56	50,355	24,243	43,852	–	–	–	118,450	115,064
– Variable interest rate	4.60	396,501	169,207	27,552	9,286	7,110	–	609,656	604,542
Amounts due to minority shareholders	–	21,391	–	–	–	–	–	21,391	21,391
Obligations under finance leases									
– Fixed interest rate	6.05	93	93	181	323	129	185	1,004	888
– Variable interest rate	3.88	514	514	879	64	–	–	1,971	1,931
		667,324	194,090	81,551	9,673	7,239	185	960,062	951,406

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

45. FINANCIAL INSTRUMENTS *(continued)*

(g) Fair value of financial instruments

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

The fair value of derivative instruments are measured using quoted forward rates and discounted using applicable yield for the duration of the instruments.

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

46. 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
				2008	2007	
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
Bridon Tianjin Rope Ltd.***	Equity joint venture	PRC	US$2,000,000 Registered capital	**75.5%**	22.65%	Manufacturing and sales of steel wire ropes for elevators
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Investment holding and trading of steel and metal products
China Rope Holdings Limited*	Incorporated	Hong Kong	HK$18,162,854 Ordinary shares	**100%**	30%	Investment holding
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares**	**95%**	95%	Investment holding and sales of printing materials, spare parts and machines
Ding Cheong Limited	Incorporated	Hong Kong	HK$500,000 Ordinary shares	**55%**	55%	Investment holding and sales of construction materials
Ding Cheong (Jiangmen) Metal Mfg. Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$3,000,000 Registered capital	**55%**	55%	Manufacturing and sales of metal products

46. 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
				2008	2007	
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**77%**	77%	Decoiling centres
G.F.T.Z. Golik Metal Trading Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$10,000,000 Registered capital	**100%**	100%	Sales of steel and metal products
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of warehouse services
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$5,135,000 Non-voting deferred shares**	**100%**	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	**100%**	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited *	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK$80,000,000 Ordinary shares	**100%**	100%	Investment holding and sales of steel bars and metal products
Golik Steel (HK) Limited (formerly known as Golik Metal Company Limited)	Incorporated	Hong Kong	HK$750,000,000 Ordinary shares	**100%**	100%	Investment and properties holding
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK$10,000,000 Ordinary shares	**51%**	51%	Manufacturing and sales of PVC plastic products

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2008

46. 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
				2008	2007	
Stahl Trading Pty Ltd.	Incorporated	Australia	AUS$100 Ordinary shares	**100%**	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of construction materials
Tianjin Golik – The First PC Steel Strand Co., Ltd.	Equity joint venture	PRC	RMB49,000,000 Registered capital	**51%**	51%	Manufacturing and sales of pre-stressed steel wires
Worldlight Group Limited *	Incorporated	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
鶴山恒基鋼絲制品有限公司	Wholly foreign owned enterprise	PRC	US$3,880,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire products and steel ropes
廣東水利混凝土有限公司	Wholly foreign owned enterprise	PRC	RMB27,800,000 Registered capital	**100%**	100%	Operating a concrete batching plant
鶴山高力金屬制品有限公司	Wholly foreign owned enterprise	PRC	US$2,250,000 Registered capital	**100%**	100%	Manufacturing and sales of steel wire mesh and metal products

* Subsidiaries held directly by the Company.

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

*** The subsidiary is renamed to Tianjin Goldsun Wire Rope Ltd. on 24th February, 2009.

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,				
	2004	2005	2006	2007	**2008**
	HK$000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)				
RESULTS					
Turnover	2,554,547	2,278,449	2,053,862	2,728,040	**3,546,116**
Operating profit	585	92,351	85,005	63,764	**93,262**
Finance costs	(27,079)	(31,066)	(32,208)	(35,076)	**(40,455)**
(Loss) gain on disposal of subsidiaries	(313)	2,406	–	–	**–**
Share of results of jointly controlled entities	190	60	244	176	**(12)**
Share of results of associates	–	1,218	1,454	2,150	**7,392**
(Loss) profit before taxation	(26,617)	64,969	54,495	31,014	**60,187**
Income taxes	(3,708)	(8,351)	(6,236)	(807)	**(9,505)**
(Loss) profit for the year	(30,325)	56,618	48,259	30,207	**50,682**

ASSETS AND LIABILITIES

	At 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
	(restated)				
Total assets	1,321,500	1,255,878	1,257,534	1,479,561	**1,611,102**
Total liabilities	(837,780)	(727,260)	(715,397)	(916,418)	**(986,972)**
	483,720	528,618	542,137	563,143	**624,130**
Equity attributable to equity holders of the Company	376,696	425,785	459,537	483,799	**536,039**
Minority interests	107,024	102,833	82,600	79,344	**88,091**
	483,720	528,618	542,137	563,143	**624,130**