GOLIK HOLDINGS LIMITED

ANNUAL REPORT 2009

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

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

Website
http://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

Financial Summary

	For the year ended 31st December,				
	2005 HK$000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
RESULTS					
Revenue	2,278,449	2,053,862	2,728,040	3,546,116	**2,933,396**
Operating profit	92,351	85,005	63,764	93,262	**126,332**
Finance costs	(31,066)	(32,208)	(35,076)	(40,455)	**(23,032)**
Gain on disposal of subsidiaries	2,406	–	–	–	**–**
Share of results of jointly controlled entities	60	244	176	(12)	**(96)**
Share of results of associates	1,218	1,454	2,150	7,392	**–**
Profit before taxation	64,969	54,495	31,014	60,187	**103,204**
Income taxes	(8,351)	(6,236)	(807)	(9,505)	**(18,658)**
Profit for the year	56,618	48,259	30,207	50,682	**84,546**

ASSETS AND LIABILITIES

	At 31st December,				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Total assets	1,255,878	1,257,534	1,479,561	1,611,102	**1,739,568**
Total liabilities	(727,260)	(715,397)	(916,418)	(986,972)	**(1,054,326)**
	528,618	542,137	563,143	624,130	**685,242**
Equity attributable to owners of the Company	425,785	459,537	483,799	536,039	**592,824**
Minority interests	102,833	82,600	79,344	88,091	**92,418**
	528,618	542,137	563,143	624,130	**685,242**

Business Profile

Building Construction Materials

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

Steel Reinforcement Bars
– Application on construction site

Steel Rebar Processing Centre in Tai Po, Hong Kong

Business Profile

Metal Products

Steel Coil Processing Centre
in Dongguan, Guangdong, the PRC

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

Range of Finished Products
– Electrical Appliances

Steel Wire Products

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, 2009.

Pang Tak Chung, Chairman

BUSINESS REVIEW

During the course of the year, the metal products and building construction materials businesses contributed significantly as the Group's two core operations.

In 2009, these two core operations remained fundamentally sound in the wake of the 2008 financial crisis. Despite the global economic recession and overall market weakness, these operations remained on course to achieve fair growth over the year.

For the year ended 31st December, 2009, the Group's revenue was HK$2,933,396,000 – which is a fall of 17% over 2008. The contraction in revenue was due mainly to the softened demand for building construction materials in Hong Kong and the significant reduction of the average prices for steel products over the previous year.

After the deduction of minority interests, profit attributable to owners of the Company is HK$65,318,000 – which is an increase of 55% over prior year.

The Board of Directors has recommended a final dividend of 2.5 HK cents per share.

Metal Products

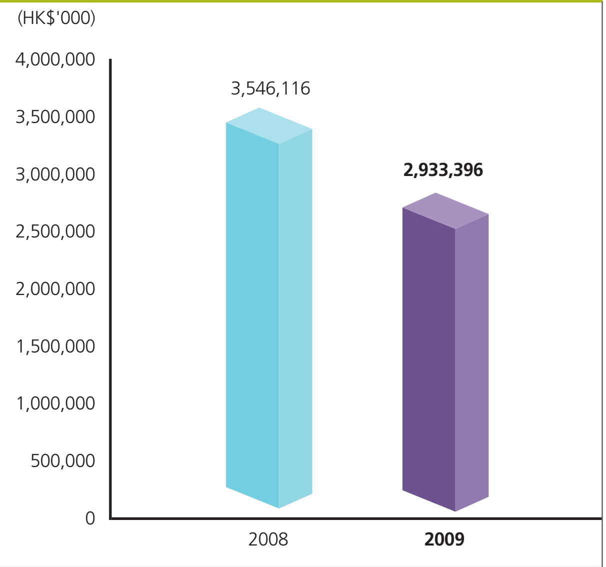
The business comprises mainly of metal products processing and manufacturing. Revenue during the year was HK$1,642,393,000, which is an increase of 9% over prior year. Profit before interest and taxation is HK$90,009,000, representing an increase of 27% over prior year.

Moreover, many export market dependent metal products were impacted by the economic recession worldwide causing the business to stagnate which was most notable during the first half of the year where revenue fell sharply. On the other hand, the market in the People's Republic of China (the "PRC") was less affected by the global economic downturn and defiantly maintained steady growth during the year.

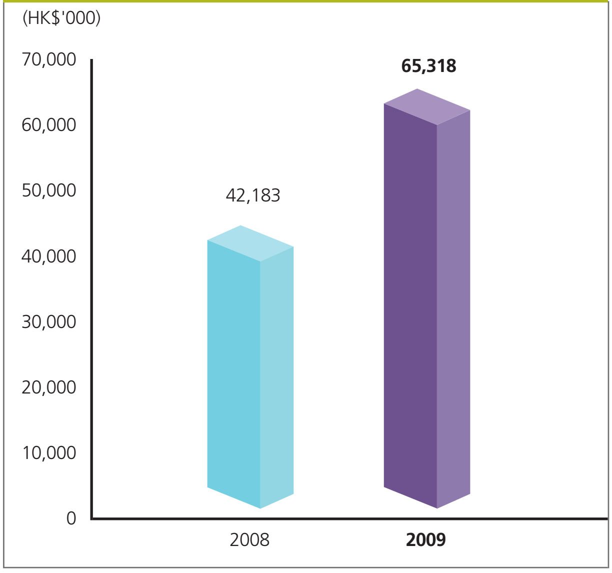
Revenue and profitability for metal products increased during the year, benefitting mostly through the acquisition of additional equity interests in the elevator rope factory in Tianjin in November, 2008. Shareholding was increased by 52.85% to 75.50%. At present, this business is in the ideal growth phase commanding market leadership with over 40% share in the PRC market.

Chairman's Statement

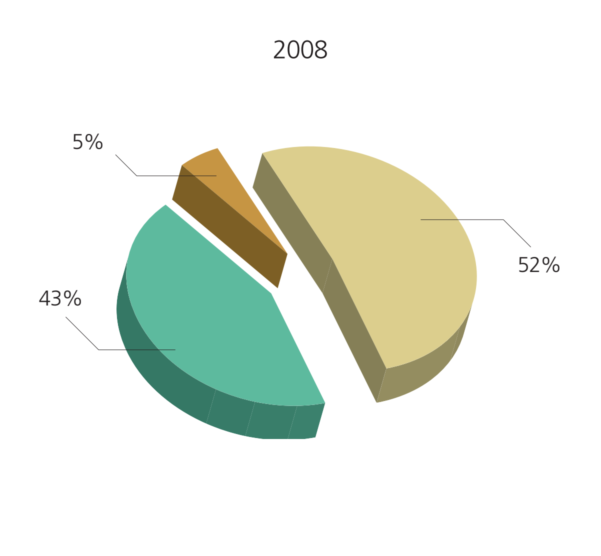
Revenue for the years ended 31st December, 2008 and 2009

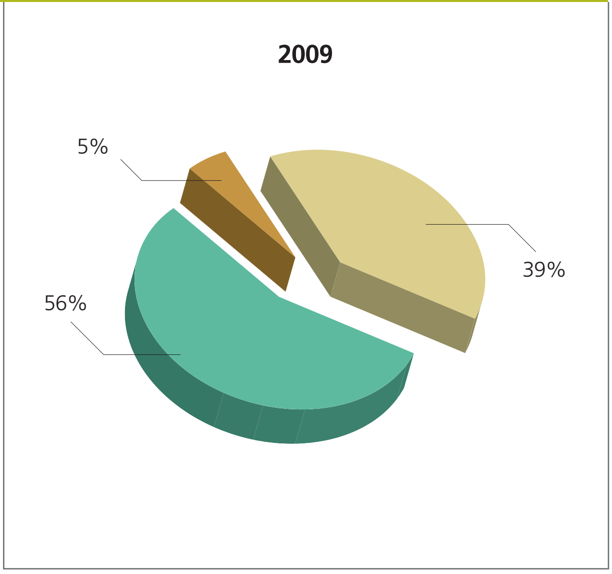


Profit attributable to owners of the Company for the years ended 31st December, 2008 and 2009



Revenue by operating segments for the years ended 31st December, 2008 and 2009





Metal products

Building construction materials

Others

Chairman's Statement

In recent years, the domestic real estate boom in the PRC has seen the demand for elevator wire ropes grow by double-digits every year. Acknowledging the opportunity in this growth market and the strategic desire to continue in the development of high-value added metal products, the Group has increased its investment in the wire rope line by adding new equipments to boost capacity and improve quality. The new equipments are expected to be commissioned in phases throughout 2010.

Building Construction Materials

The business comprises mainly of concrete and construction steel products. Revenue during the year was HK$1,142,216,000, which is down around 38% over prior year. The decline in revenue was predominantly due to the financial tsunami actuating the suspension or the cancellation of projects in both Hong Kong and Macao – including the Cathay Pacific Cargo Terminal; The Venetian Macao Parcels 5 and 6, and so forth. Consequently the demands for concrete and construction steel were substantially weakened during the year especially in the first three quarters.

Profit before interest and taxation is HK$57,187,000, representing an increase of 127% over prior year. The increase in profits was by in large due to the relative stability of raw material prices enabling improvements in cost management and overall profitability.

For over thirty years, the Group's building construction material business has laid solid foundation in Hong Kong and at present, the Group has become the only company in the building construction material supply chain in Hong Kong capable of supplying concrete, steel and other major building construction materials under one roof. Our mission is to offer the latest building construction materials and to provide the most professional service to the industry. During the year, the Group added two foundation engineering use products, namely H-beams and steel sheet piles. In addition, a new rebar processing centre was also established in Tai Po Industrial Estate utilizing the most advanced rebar processing equipments and software to mechanize the fabrication of rebars under factory-run conditions and away from the construction site. The generally poor conditions of traditional rebars processing on a construction site can thus be eliminated and greatly reducing the toiling involved, improving overall site conditions and reducing accident rates.

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, 2009, the total bank balances and cash of the Group reached approximately HK$360,037,000. As at 31st December, 2009, current ratio (current assets to current liabilities) for the Group was 1.35:1.

As at 31st December, 2009, total borrowings for the Group were approximately HK$805,915,000.

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, 2009, equity attributable to owners of the Company reached approximately HK$592,824,000.

As at 31st December, 2009, net gearing ratio (borrowings minus bank balances and cash to total equity) was 0.65:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2009, the total number of staff of the Group was 1,645. The Group also provides 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.

Chairman's Statement

PROSPECT

In 2010, we have seen signs of a progressive recovery on a macro scale following the impact of the financial crisis. More recently, the uptrend in shipping index and the strong rebound in prices of raw materials show evidence of this recovery in the manufacturing and export sectors. Efforts to stimulate demand in the PRC will remain as the core policy by the PRC Government in this coming year. Together, these factors will provide a positive effect on the market for the Group's range of metal products and the Group expects the metal product business to remain stable in the year ahead.

Furthermore, investments in infrastructure by the Hong Kong Government will enter into full swing this year. With large-scale infrastructure projects entering into the pipeline, there will be many business opportunities for Hong Kong's construction sector over the next few years and the outlook for the Group's building material business is encouraging.

Even though market competition is inevitable, we believe the overall outlook for this year is more upbeat than the past for the progression of the Group's two core businesses in metal products and building construction materials. Our management team will be adamant in setting clear objectives and sound strategies, in guarding against adverse effects to the businesses caused by fluctuations in raw material prices and other unforeseen headwinds and; in our relentless strive for improvements to raise and sustain competiveness in the market. This will prepare us when opportunities arise and defy challenges to achieve even better results for our shareholders.

ACKNOWLEDGEMENTS

I take this opportunity to extend my heartfelt gratitude to all employees and management for their contributions and efforts over the past, and also to our customers, shareholders, banks and business associates. With all your continued support, the Group will in rank to achieve even better results in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 13th April, 2010

Directors of the Group

Mr. Pang Tak Chung, aged 61, 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 34 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 54, is the vice chairman and company secretary of the Company and finance director of the Group responsible for finance, accounting, information technology development, legal and corporate matters 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 29 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 65, 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 25 years.

Mr. Yu Kwok Kan, Stephen, aged 54, 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 the Principal of STEPHEN K K YU & CO, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 29 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 54, 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 21 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 52, 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 24 years of experience in statistical, accounting, auditing and financial restructuring work. He is a member of Hong Kong Institute of Certified Public Accountants and a Certified Public Accountants (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with code provisions (with the exception of code provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) set out in the CG Code throughout the year ended 31st December, 2009. 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 (the "Model Code"). Specific enquiry has been made by the Company to each director of the Company confirming that they have complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2009.

BOARD OF DIRECTORS

The board of directors of the Company (the "Board") currently comprises three executive directors and three independent non-executive directors.

The members of the Board 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

Independent Non-Executive Directors

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

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

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

A statement by the auditor about its reporting responsibilities is included in the Independent Auditor's Report on page 19 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 Company's 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 its 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 with written terms of reference which are in line with the CG Code and available on the Company's website. The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors. The 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, 2009.

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, 2009

	Number of Meetings attended/held during the year		
Name and Designation	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**
Executive Directors			
Mr. Pang Tak Chung *(Chairman)*	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy *(Vice Chairman)*	4/4	N/A	N/A
Mr. John Cyril Fletcher	4/4	N/A	N/A
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, 2009, 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 2009 interim results	248
Audit fee for 2009 final results	2,210
Audit service fee for Occupational Retirement Schemes	7
Total audit services	2,465

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. At the AGM, the Chairman will 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, 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 43 and 19 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 21.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2.5 HK cents per share to the shareholders whose names appear on the register of members of the Company on 2nd June, 2010, amounting to HK$14,184,000.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 16 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$54.2 million. In addition, property, plant and equipment with carrying values of approximately HK$0.6 million were disposed of during the year.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 17 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 31 and 32 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2009 were as follows:

	2009	2008
	HK$'000	HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**99,455**	59,240
	165,346	125,131

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY *(continued)*

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

During the year, the Company repurchased its 300,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$115,250. The repurchases were effected by the directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	HK$	HK$
December, 2009	300,000	0.395	0.375	115,250

The 300,000 shares were cancelled on delivery of the share certificates subsequent to the end of the reporting period.

Apart from the above, neither the Company nor any of its subsidiaries had 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

Independent Non-Executive Directors

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

DIRECTORS *(continued)*

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

Non-executive directors were not appointed for a specific term. All directors (including 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, 2009, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers 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)*	147,924,708	195,646,500	343,571,208	60.56%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. John Cyril Fletcher	200,000	–	200,000	0.04%

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 32 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2009 and 31st December, 2009.

(2) Shares in subsidiaries

As at 31st December, 2009, 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, 2009, 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 associated corporations.

Directors' Report

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 SHAREHOLDER

As at 31st December, 2009, so far as known to any directors of the Company, the following person (other than a director or chief executive of the Company), was recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company, as being, directly or indirectly, interested or deemed to be interested in 5% or more of the issued share capital of the Company:

Long position in shares of the Company

Name	Number of ordinary shares held	Percentage of issued shares
Golik Investments Ltd.	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, 2009, had any interests or short positions in the shares or underlying shares of the Company of 5% or more which would fall to be disclosed pursuant to Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 40% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 15% 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.

Directors' Report

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 32 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

13th April, 2010

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 21 to 74, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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, 2009 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

13th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Revenue	5	**2,933,396**	3,546,116
Cost of sales		**(2,560,201)**	(3,262,336)
Gross profit		**373,195**	283,780
Other income	6	**27,653**	25,769
Interest income		**1,580**	2,644
Selling and distribution costs		**(95,003)**	(91,646)
Administrative expenses		**(154,586)**	(136,211)
Other gains and losses	7	**(26,507)**	(3,074)
Discount on acquisition of subsidiaries		**–**	12,000
Finance costs	8	**(23,032)**	(40,455)
Share of results of jointly controlled entities		**(96)**	(12)
Share of results of associates		**–**	7,392
Profit before taxation		**103,204**	60,187
Income taxes	9	**(18,658)**	(9,505)
Profit for the year	10	**84,546**	50,682
Other comprehensive income			
Exchange difference arising from the translation of foreign operations		**190**	11,617
Revaluation surplus on property, plant and equipment		**–**	9,117
Deferred tax liabilities arising on revaluation of property, plant and equipment		**–**	(1,504)
Effect of change in tax rate		**–**	223
		190	19,453
Total comprehensive income for the year		**84,736**	70,135
Profit attributable to:			
Owners of the Company		**65,318**	42,183
Minority interests		**19,228**	8,499
		84,546	50,682
Total comprehensive income attributable to:			
Owners of the Company		**65,410**	59,048
Minority interests		**19,326**	11,087
		84,736	70,135
		HK cents	HK cents
Earnings per share	14		
Basic		**11.51**	7.43

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current Assets			
Goodwill	15	–	1,965
Investment properties	16	**16,860**	16,790
Property, plant and equipment	17	**299,502**	287,138
Prepaid lease payments	18	**32,460**	33,295
Interests in jointly controlled entities	19	**1,671**	1,767
Long-term receivables	20	–	2,462
Rental and other deposits		**719**	1,268
Deposits paid for acquisition of property, plant and equipment		**25,768**	7,000
Amounts due from jointly controlled entities	21	**7,042**	7,037
		384,022	358,722
Current Assets			
Inventories	22	**404,252**	418,471
Trade and other receivables	23	**590,136**	542,884
Prepaid lease payments	18	**858**	858
Income tax recoverable		**263**	273
Pledged bank deposits	24	**20,572**	26,203
Bank balances and cash	25	**339,465**	263,691
		1,355,546	1,252,380
Current Liabilities			
Trade and other payables	26	**224,010**	224,184
Amounts due to minority shareholders	27	**4,822**	21,391
Income tax payable		**5,673**	6,668
Derivative financial instruments	28	**196**	595
Bank borrowings	29	**771,318**	700,686
Obligations under finance leases	30	**1,711**	2,180
Bank overdrafts – unsecured		–	2,956
		1,007,730	958,660
Net Current Assets		**347,816**	293,720
		731,838	652,442

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	2009 HK$'000	2008 HK$'000
Capital and Reserves			
Share capital	31	**56,736**	56,736
Share premium and reserves		**536,088**	479,303
Equity attributable to owners of the Company		**592,824**	536,039
Minority interests		**92,418**	88,091
Total Equity		**685,242**	624,130
Non-current Liabilities			
Deferred tax liabilities	33	**13,710**	11,709
Bank borrowings	29	**30,850**	15,964
Obligations under finance leases	30	**2,036**	639
		46,596	28,312
		731,838	652,442

The consolidated financial statements on pages 21 to 74 were approved and authorised for issue by the Board of Directors on 13th April, 2010 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Attributable to owners of the Company									
	Share capital HK$'000	**Share premium** HK$'000	**Property revaluation reserve** HK$'000	**Exchange reserve** HK$'000	**PRC statutory reserve** HK$'000 (Note)	**Other reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1st January, 2008	56,736	318,118	19,566	15,520	3,389	–	70,470	483,799	79,344	563,143
Profit for the year	–	–	–	–	–	–	42,183	42,183	8,499	50,682
Other comprehensive income for the year										
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 of change in tax rate	–	–	223	–	–	–	–	223	–	223
	–	–	7,293	9,572	–	–	–	16,865	2,588	19,453
Total comprehensive 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 (note 13)	–	–	–	–	–	–	(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
Profit for the year	–	–	–	–	–	–	65,318	65,318	19,228	84,546
Other comprehensive income for the year										
Exchange difference arising from the translation of foreign operations	–	–	–	92	–	–	–	92	98	190
Total comprehensive income for the year	–	–	–	92	–	–	65,318	65,410	19,326	84,736
Repurchase of shares	–	–	–	–	–	(115)	–	(115)	–	(115)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	(15,101)	(15,101)
Dividend paid (note 13)	–	–	–	–	–	–	(8,510)	(8,510)	–	(8,510)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	102	102
At 31st December, 2009	**56,736**	**318,118**	**26,859**	**25,184**	**3,389**	**(115)**	**162,653**	**592,824**	**92,418**	**685,242**

Note: The 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.

Other reserve represents an aggregate consideration of HK$115,250 for repurchase of the Company's 300,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The 300,000 shares were cancelled on delivery of the share certificates subsequent to the end of the reporting period.

GOLIK

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**103,204**	60,187
Adjustments for:		
Amortisation of prepaid lease payments	**858**	847
Change in fair value of derivative financial instruments	**(79)**	(1,500)
(Reversal of) write down of inventories	**(5,427)**	59,197
Depreciation	**39,279**	37,155
Allowance for bad and doubtful debts, net	**22,042**	4,909
Interest income	**(1,580)**	(2,644)
Gain on disposal of assets classified as held for sale	**–**	(6,110)
Loss on disposal of property, plant and equipment	**335**	157
Impairment loss on property, plant and equipment	**2,235**	–
(Increase) decrease in fair value of investment properties	**(70)**	520
Discount on acquisition of subsidiaries	**–**	(12,000)
Impairment loss on goodwill	**1,965**	3,598
Unrealised foreign exchange (gain) loss	**(3,496)**	139
Finance costs	**23,032**	40,455
Share of results of jointly controlled entities	**96**	12
Share of results of associates	**–**	(7,392)
Operating cash flows before movements in working capital	**182,394**	177,530
Decrease (increase) in inventories	**21,054**	(114,256)
(Increase) decrease in trade and other receivables	**(64,061)**	145,632
Change in derivative financial instruments	**(320)**	2,082
Increase (decrease) in trade and other payables	**23,042**	(83,591)
Cash generated from operations	**162,109**	127,397
Hong Kong Profits Tax paid	**(3,139)**	–
Taxation outside Hong Kong paid	**(15,678)**	(5,201)
Hong Kong Profits Tax refunded	**–**	713
Taxation outside Hong Kong refunded	**1,149**	–
NET CASH FROM OPERATING ACTIVITIES	**144,441**	122,909

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	NOTE	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(43,081)**	(46,294)
Deposits paid for acquisition of property, plant and equipment		**(24,893)**	(7,000)
Decrease (increase) in pledged bank deposits		**5,657**	(18,934)
Advance of loans		**(1,400)**	–
Advance to jointly controlled entities		**(5)**	(28)
Proceeds from disposal of assets classified as held for sale		**–**	28,594
Proceeds from disposal of property, plant and equipment		**250**	360
Repayment of loans advanced		**1,474**	840
Interest received		**1,492**	2,623
Payment of deferred consideration on acquisition of subsidiaries		**(21,703)**	–
Net cash received on acquisition of subsidiaries	40	**–**	24,521
NET CASH USED IN INVESTING ACTIVITIES		**(82,209)**	(15,318)
FINANCING ACTIVITIES			
Bank loans raised		**359,968**	197,289
Repayment of bank loans		**(248,123)**	(155,375)
Interest paid		**(25,903)**	(40,085)
Dividend paid to minority shareholders of subsidiaries		**(15,101)**	(11,600)
Dividend paid		**(8,510)**	(6,808)
Net (repayment) borrowing of trust receipt loans		**(24,071)**	572
Repayment of mortgage loans		**(2,519)**	(2,417)
Repayment of obligations under finance leases		**(3,072)**	(2,363)
(Repayment to) advance from minority shareholders		**(16,587)**	8,745
Repurchase of shares		**(115)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**15,967**	(12,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**78,199**	95,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**260,735**	162,541
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**531**	2,645
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**339,465**	260,735
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**339,465**	263,691
Bank overdrafts		**–**	(2,956)
		339,465	260,735

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on 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 metal products and building 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 new and revised Standards, Amendments and Interpretations ("HK(IFRIC) – Int") (collectively the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 5).

Amendments to HKFRS 7 Financial Instruments: Disclosures

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments. The amendments also expand and amend the disclosures required in relation to liquidity risk which has no impact on the consolidated financial statements of the Group.

HKAS 23 (Revised) Borrowing Costs

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option available under the previous version of the Standard to recognise all borrowing costs as expenses immediately and requires all such borrowing costs to be capitalised as part of the cost of the qualifying asset. The adoption of the revised HKFRS has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior year adjustment has been recognised.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2010
[4] Effective for annual periods beginning on or after 1st February, 2010
[5] Effective for annual periods beginning on or after 1st July, 2010
[6] Effective for annual periods beginning on or after 1st January, 2011
[7] Effective for annual periods beginning on or after 1st January, 2013

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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

The application of HKFRS 3 (Revised) may affect the Group's 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.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 financial statements 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.

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 statement of comprehensive income 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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 recognised in other comprehensive income and accumulated in 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 profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial positions.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

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

On 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.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint 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 statement of financial position 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 on initial recognition.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

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

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

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

Any revaluation increase arising on revaluation of buildings is recognised in other comprehensive income and accumulated in revaluation reserve except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss 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:

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 and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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 profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the profit or loss 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 consolidated statement of financial position 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.

Operating lease payments are recognised as an expense 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 and amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

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 the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the exchange reserve).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss 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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position 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)

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. 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 to the net carrying amount on initial recognition.

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 the end of each reporting period. 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables (continued)

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

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of long-term receivables, trade receivables, amounts due from jointly controlled entities, 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sales, issue or cancellation of the Company's own equity instruments.

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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

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 in other comprehensive income 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.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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 to completion and estimated selling expenses. The amount write off to profit or loss is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recovered, certain estimations are required. In making these estimations, the Group 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, 2009, the carrying amount of inventories is HK$404,252,000 (2008: HK$418,471,000).

Income taxes

As at 31st December, 2009, a deferred tax asset of HK$7,722,000 (2008: HK$6,080,000) in relation to unused tax losses has been recognised in the Group's statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$619,416,000 (2008: HK$658,886,000) 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 profit or loss for the period in which such a recognition takes place.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of future cash flows of respective trade receivable. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2009, the carrying amount of trade receivables is HK$524,917,000 (net of allowance for doubtful debts of HK$41,772,000) (2008: carrying amount of HK$484,362,000, net of allowance for doubtful debts of HK$23,005,000).

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes.

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's operating segments as compared with the primary segments determined in accordance with HKAS 14.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Specifically, in prior years, segment information reported externally was analysed on the basis of the category of operation for each type of goods sold (i.e. manufacturing of steel and metal products, sales of steel and metal products, manufacturing of construction materials, sales of construction materials and other operations). However, information reported to the chief operating decision maker (the Chairman and Vice Chairman of the Group) for the purposes of resource allocation and performance assessment focuses is more specifically on the category of operation for each type of goods sold. The principal categories of these goods sold are metal products and building construction materials. The Group's operating segments under HKFRS 8 are therefore as follows:

1. Metal products
2. Building construction materials
3. Other operations including plastic products and printing materials

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

The following is an analysis of the Group's revenue and results by operating segment.

2009

	Metal products HK$'000	Building construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,640,695	1,139,476	153,225	–	2,933,396
Inter-segment sales	1,698	2,740	–	(4,438)	–
Total	1,642,393	1,142,216	153,225	(4,438)	2,933,396
SEGMENT RESULT	90,009	57,187	4,366	810	152,372
Unallocated other income					4,819
Unallocated corporate expenses					(28,894)
Impairment loss on goodwill					(1,965)
Finance costs					(23,032)
Share of results of jointly controlled entities					(96)
Profit before taxation					103,204

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. REVENUE AND SEGMENT INFORMATION *(continued)*

2008

	Metal products HK$'000	Building construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE					
External sales	1,512,425	1,841,650	192,041	–	3,546,116
Inter-segment sales	1,122	567	–	(1,689)	–
Total	1,513,547	1,842,217	192,041	(1,689)	3,546,116
SEGMENT RESULT	70,725	25,195	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					(3,598)
Discount on acquisition of subsidiaries					12,000
Finance costs					(40,455)
Share of results of jointly controlled entities					(12)
Share of results of associates					7,392
Profit before taxation					60,187

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the gross profit (loss) generated from each segment, net of selling and distribution costs and administration costs directly attributable to each segment without allocation of other income, corporate expenses, gain on disposal of assets classified as held for sale, impairment loss on goodwill, discount on acquisition of subsidiaries, finance costs, share of results of jointly controlled entities and associates. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue from major products

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

	2009 HK$'000	2008 HK$'000
Metal products	**1,640,695**	1,512,425
Building construction materials		
– Concrete products	**196,170**	234,337
– Construction steel and other products	**943,306**	1,607,313
Others	**153,225**	192,041
	2,933,396	3,546,116

Geographical information

The Group operates in two principal geographical areas, including Hong Kong and other regions in the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Hong Kong	**1,444,729**	2,164,933	**100,959**	111,480
Other regions in the PRC	**1,393,882**	999,060	**276,018**	237,731
Australia	**40,308**	88,647	**–**	–
Macau	**20,123**	220,071	**–**	–
Others	**34,354**	73,405	**3**	12
	2,933,396	3,546,116	**376,980**	349,223

Note: Non-current assets excluded financial instruments.

No customer has contributed over 10% of the total revenue of the Group for both years.

No segment assets, liabilities and other segment information in the measure of Group's segment result and segment assets are presented as the information is not reportable to the chief operating decision maker in the resource allocation and assessment of performance.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

6. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
Included in other income are:		
Gross rental income from investment properties	**900**	795
Less: direct operating expenses from investment properties that generated rental income during the year	**(76)**	(103)
Net rental income from investment properties	**824**	692
Rental income from property, plant and equipment and prepaid lease payments	**4**	404
	828	1,096
Change in fair value of derivative financial instruments	**79**	1,500

7. OTHER GAINS AND LOSSES

	2009	2008
	HK$'000	HK$'000
Allowance for bad and doubtful debts, net	**22,042**	4,909
Impairment losses on property, plant and equipment (Note)	**2,235**	–
Gain on disposal of assets classified as held for sale	**–**	(6,110)
Loss on disposal of property, plant and equipment	**335**	157
(Increase) decrease in fair value on investment properties	**(70)**	520
Impairment loss on goodwill	**1,965**	3,598
	26,507	3,074

Note:

Impairment losses of HK$2,235,000 (2008: Nil) has been recognised in respect of property, plant and equipment due to physical damage and technical obsolescence during the year.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

8. FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**22,899**	40,265
Finance leases	**133**	190
	23,032	40,455

9. INCOME TAXES

	2009 **HK$'000**	2008 HK$'000
The charge comprises:		
Current year		
Hong Kong	**3,059**	3,014
Outside Hong Kong	**15,232**	7,284
	18,291	10,298
Overprovision in prior years		
Hong Kong	**(875)**	(46)
Outside Hong Kong	**(758)**	(20)
	(1,633)	(66)
Deferred tax (note 33)		
Current year	**2,000**	(395)
Attributable to a change in tax rate	**–**	(332)
	2,000	(727)
	18,658	9,505

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% of the estimated assessable profit for both years.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

9. INCOME TAXES *(continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 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 EIT Law.

The income tax expense for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Hong Kong		**PRC and others**		**Total**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Profit before taxation	**41,534**	40,968	**61,670**	19,219	**103,204**	60,187
Domestic income tax rate	**16.5%**	16.5%	**25%**	25%		
Tax at the domestic income tax rate	**6,853**	6,760	**15,418**	4,805	**22,271**	11,565
Tax effect of share of results of jointly controlled entities and associates	**16**	(1,217)	**–**	–	**16**	(1,217)
Tax effect of expenses not deductible for tax purpose	**4,797**	1,267	**1,692**	445	**6,489**	1,712
Tax effect of income not taxable for tax purpose	**(663)**	(2,011)	**(36)**	(78)	**(699)**	(2,089)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	**(2,599)**	(2,970)	**–**	–	**(2,599)**	(2,970)
Tax effect of tax losses not recognised	**224**	3,996	**589**	2,515	**813**	6,511
Tax effect of utilisation of tax loss previously not recognised	**(6,844)**	(5,151)	**(432)**	(552)	**(7,276)**	(5,703)
Tax effect of utilisation of other deductible temporary difference previously not recognised	**(57)**	(142)	**–**	–	**(57)**	(142)
Effect of tax exemption and tax concession granted to PRC subsidiaries	**–**	–	**(3,408)**	(671)	**(3,408)**	(671)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	(332)	**–**	–	**–**	(332)
Withholding tax on retained profit to be distributed	**2,000**	900	**–**	–	**2,000**	900
Overprovision in prior years	**(875)**	(46)	**(758)**	(20)	**(1,633)**	(66)
Others	**1,332**	1,187	**1,409**	820	**2,741**	2,007
Income taxes for the year	**4,184**	2,241	**14,474**	7,264	**18,658**	9,505

Details of deferred taxation are set out in note 33.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

10. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**858**	847
Auditor's remuneration		
Current year	**3,147**	3,445
Underprovision in prior years	**9**	225
Cost of inventories recognised as expense including reversal of write down of inventories of HK$5,427,000 which were sold during the year (2008: write down of HK$59,197,000)	**2,560,201**	3,262,336
Depreciation	**39,279**	37,155
Minimum lease payments for operating leases in respect of		
Land and buildings	**16,793**	16,812
Plant and machinery	**2,140**	513
	18,933	17,325
Net exchange loss	**1,534**	1,008
Staff costs including directors' emoluments and contributions to retirement benefits scheme	**148,346**	112,677

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,563,000 (2008: HK$2,150,000) are included under staff costs.

Profit of HK$48,726,000 (2008: HK$31,986,000) has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

11. 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$'000	Yu Kwok Kan, Stephen HK$'000	Chan Yat Yan HK$'000	Lo Yip Tong HK$'000	2009 Total HK$'000
Fees	–	–	–	118	118	118	354
Other emoluments							
Salaries and other benefits	4,369	2,648	1,674	–	–	–	8,691
Contributions to retirement benefits scheme	183	156	25	–	–	–	364
	4,552	2,804	1,699	118	118	118	9,409

	Pang Tak Chung HK$'000	Ho Wai Yu, Sammy HK$'000	John Cyril Fletcher HK$'000	Yu Kwok Kan, Stephen HK$'000	Chan Yat Yan HK$'000	Lo Yip Tong HK$'000	Robert Keith Davies 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

No director waived any emoluments for the two years ended 31st December, 2009.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2008: two directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2008: three individuals) are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	2,980	5,646
Contributions to retirement benefits scheme	65	36
	3,045	5,682

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For the year ended 31st December, 2009

12. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	**–**	1
	2	3

13. DIVIDEND

	2009 HK$'000	2008 HK$'000
Dividend paid:		
Final dividend in respect of 2008, approved and paid		
– 1.5 HK cents (2008: 2007 dividend paid of 1.2 HK cents) per ordinary share	**8,510**	6,808
Dividend proposed:		
Final dividend proposed for the year		
– 2.5 HK cents (2008: 1.5 HK cents) per ordinary share	**14,184**	8,510

The directors recommend the payment of a final dividend of 2.5 HK cents per share for the year ended 31st December, 2009 which is subject to approval by the shareholders in the annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the owners of the Company for the year and 567,362,500 (2008: 567,362,500) ordinary shares in issue.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

15. GOODWILL

	HK$'000
COST	
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	**34,355**
IMPAIRMENT	
At 1st January, 2008	28,792
Impairment loss recognised	3,598
At 31st December, 2008	32,390
Impairment loss recognised	1,965
At 31st December, 2009	**34,355**
CARRYING AMOUNT	
At 31st December, 2009	**–**
At 31st December, 2008	1,965

For the purposes of impairment testing, goodwill is allocated to individual cash-generating unit (CGU) which is engaged in trading of printing materials and is expected to benefit from that business combination. The carrying amount of goodwill as at the end of the reporting period was attributable to a subsidiary in other operations segment.

During the year ended 31st December, 2009, the Group recognised an impairment loss of HK$1,965,000 (2008: HK$3,598,000) due to increased competition in the business.

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

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 9% (2008: 10%). The cash flows beyond the 5-year period are extrapolated using a zero growth rate. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

16. INVESTMENT PROPERTIES

	2009	2008
	HK$'000	HK$'000
FAIR VALUE		
At beginning of the year	**16,790**	17,310
Increase (decrease) in fair value	**70**	(520)
At end of the year	**16,860**	16,790

The Group's investment properties comprise:

	2009	2008
	HK$'000	HK$'000
Properties held under medium-term leases located in:		
Hong Kong	**14,300**	14,300
Other regions in the PRC	**2,560**	2,490
	16,860	16,790

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, 2009 and 31st December, 2008 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. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

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For the year ended 31st December, 2009

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Assets under installation HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION								
At 1st January, 2008	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
Exchange differences	35	3	15	71	320	1	6	451
Additions	300	7	1,043	2,951	9,027	30,459	10,432	54,219
Disposals	(92)	–	(235)	(745)	(2,072)	–	–	(3,144)
Reclassification	420	3,205	37	–	19,360	(16,280)	(6,742)	–
At 31st December, 2009	**78,369**	**26,816**	**19,939**	**67,937**	**404,017**	**19,415**	**12,023**	**628,516**
Comprising:								
At cost	720	26,816	19,939	67,937	404,017	19,415	12,023	550,867
At valuation – 2008	77,649	–	–	–	–	–	–	77,649
	78,369	**26,816**	**19,939**	**67,937**	**404,017**	**19,415**	**12,023**	**628,516**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2008	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
Exchange differences	7	1	9	50	140	–	–	207
Provided for the year	5,810	1,226	1,241	4,229	26,773	–	–	39,279
Impairment loss	–	–	–	–	2,235	–	–	2,235
Eliminated on disposals	(50)	–	(195)	(665)	(1,649)	–	–	(2,559)
At 31st December, 2009	**5,767**	**21,442**	**16,881**	**51,730**	**230,556**	**–**	**2,638**	**329,014**
CARRYING VALUES								
At 31st December, 2009	**72,602**	**5,374**	**3,058**	**16,207**	**173,461**	**19,415**	**9,385**	**299,502**
At 31st December, 2008	77,706	3,386	3,253	17,544	174,325	5,235	5,689	287,138

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

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

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$809,000 (2008: HK$1,083,000) and HK$6,511,000 (2008: HK$6,015,000) 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, 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. The directors considered that there is no significant change in fair value of buildings, accordingly, the buildings was not revalued as at 31st December, 2009.

At 31st December, 2009, 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$56,389,000 (2008: HK$60,950,000).

18. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	**16,533**	16,968
Land use right in other regions in the PRC under medium-term lease	**16,785**	17,185
	33,318	34,153
Analysed for reporting purposes as:		
Current asset	**858**	858
Non-current asset	**32,460**	33,295
	33,318	34,153

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2009 **HK$'000**	2008 HK$'000
Cost of investments (unlisted)	**1,257**	1,257
Share of post-acquisition profits	**414**	510
	1,671	1,767

Particulars of the jointly controlled entities as at 31st December, 2009 and 2008 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:

	2009 **HK$'000**	2008 HK$'000
Non-current assets	**1,597**	1,803
Current assets	**4,543**	4,554
Current liabilities	**(3,447)**	(3,543)
	2,693	2,814
Income	**2,545**	3,126
Expenses	**(2,641)**	(3,138)
Loss for the year	**(96)**	(12)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

20. LONG-TERM RECEIVABLES

	2009 **HK$'000**	2008 HK$'000
Building mortgage loan (Note a)	**–**	55
Other loans (Note b)	**2,445**	2,462
Trade and other receivables (Note c)	**2,462**	2,913
Less: Allowance for doubtful debts	**(1,350)**	–
	3,557	5,430
Less: amounts due within one year shown under trade and other receivables	**(3,557)**	(2,968)
Amounts due after one year	**–**	2,462

Notes:

(a) At 31st December, 2008, the building mortgage loan carried interest at 3% above the Hong Kong Prime Rate per annum and were repayable by monthly instalments up to year 2009. The effective interest rate for the year is 8% (2008: 8%).

(b) Other loans are unsecured, bear fixed interest at 4% to 7% (2008: 4% 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.

Included in the allowance for doubtful debts are individually impaired other loans with an aggregate balance of HK$1,350,000 (2008: Nil) 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 loan, the Group considers any change in the credit quality of the loan from the date the loan was initially granted up to the reporting date.

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 end of the reporting period.

22. INVENTORIES

	2009 **HK$'000**	2008 HK$'000
Raw materials	**142,628**	136,071
Work in progress	**20,579**	21,016
Finished goods	**240,020**	260,193
Supplies	**1,025**	1,191
	404,252	418,471

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 presented based on the invoice date at the end of the reporting period as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	**246,666**	240,310
31 – 60 days	**150,614**	127,641
61 – 90 days	**63,082**	57,495
91 – 120 days	**43,724**	31,616
More than 120 days	**20,831**	27,300
	524,917	484,362

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$181,666,000 (2008: HK$185,393,000) 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:

	2009 HK$'000	2008 HK$'000
1 – 30 days	**112,854**	119,937
31 – 60 days	**50,651**	34,936
Over 60 days	**18,161**	30,520
Total	**181,666**	185,393

Movement in the allowance for doubtful debts:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	**23,005**	24,924
Exchange realignment	**12**	429
Impairment losses recognised	**20,988**	5,931
Impairment losses reversed	**(296)**	(1,022)
Amounts written off during the year	**(1,937)**	(7,257)
Balance at end of the year	**41,772**	23,005

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For the year ended 31st December, 2009

23. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$41,772,000 (2008: HK$23,005,000) 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. PLEDGED BANK DEPOSITS

As at 31st December, 2008, an amount of HK$9,071,000 represented deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits were classified as current assets. The deposits carried fixed interest rate at 0.36% per annum.

As at 31st December, 2009, an amount of HK$20,572,000 (2008: HK$17,132,000) were pledged to customers as collateral for the tender deposits and retention deposits of the construction projects. The deposits carry fixed interest rate at 0.80% (2008: 0.70%) per annum.

25. BANK BALANCES AND CASH

The amount included deposits of HK$98,000,000 (2008: HK$71,000,000) with an original maturity of three months or less which carry fixed interest rate of 0.06% (2008: 0.1%) per annum. The remaining amount carried at prevailing market interest rates.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis presented based on the invoice date at the end of the reporting period as follows:

	2009 **HK$'000**	2008 HK$'000
0 – 30 days	**104,734**	69,810
31 – 60 days	**14,133**	22,306
61 – 90 days	**6,591**	9,307
91 – 120 days	**6,760**	1,304
More than 120 days	**4,567**	9,936
	136,785	112,663

At 31st December, 2008, included in trade and other payables was consideration payable and direct transaction cost with carrying amount of HK$21,703,000 arising from the acquisition of subsidiaries in 2008 as stated in note 40. The consideration was fully settled during the year.

27. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

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28. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st December, 2009, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of approximately HK$196,000 (2008: HK$595,000). The net gain on change in fair value and expiration of the foreign currency forward contracts amounting to HK$79,000 (2008: HK$1,500,000) has been recognised in consolidated statement of comprehensive income. 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, 2009

Structured foreign exchange forward contracts

Notional amount at each maturity date	Maturity	Forward exchange rates
Buy US$200,000 or US$600,000	From May 2009 to April 2011 with monthly settlement on notional amount	Buying US$200,000 if market rate at or above contract rate of HK$7.728 to US$1 or buying US$600,000 if market rate below contract rate of HK$7.728 to US$1
Buy US$1,000,000 or US$2,000,000	From February 2010 to January 2011 with monthly settlement on notional amount	Buying US$1,000,000 if market rate at or above contract rate of HK$7.714 to US$1 or buying US$2,000,000 if market rate below contract rate of HK$7.714 to US$1

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

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For the year ended 31st December, 2009

28. 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

29. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank loans	**312,888**	200,780
Mortgage loans	**3,284**	5,803
Trust receipt loans	**485,996**	510,067
	802,168	716,650
Analysed as:		
Secured	**42,126**	27,574
Unsecured	**760,042**	689,076
	802,168	716,650
The bank borrowings are repayable as follows:		
Within one year	**771,318**	700,686
More than one year, but not exceeding two years	**14,038**	8,955
More than two years, but not exceeding three years	**6,566**	7,009
More than three years, but not exceeding four years	**10,246**	–
	802,168	716,650
Less: amounts due within one year shown under current liabilities	**(771,318)**	(700,686)
Amounts due after one year	**30,850**	15,964

The average effective borrowing rates are ranging from 1.76% to 6.82% (2008: 3.4% to 7.33%) per annum.

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29. BANK BORROWINGS *(continued)*

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

Denominated in	Interest rate per annum	2009 HK$'000	2008 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2%	**540,902**	535,573
	Fixed rate of 2.5%	**–**	4,000
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 2.2%	**6,557**	9,102
Renminbi	0% to 20% mark up from People's Bank of China ("PBOC") lending rate	**119,251**	56,696
	Fixed rate of 4.86% to 6.90%	**135,458**	111,064
Others (Note)	LIBOR plus 2.5%	**–**	215
		802,168	716,650

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

30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Within one year	**1,783**	2,274	**1,711**	2,180
In the second to fifth year inclusive	**2,083**	701	**2,036**	639
	3,866	2,975		
Less: future finance charges	**(119)**	(156)		
Present value of lease obligations	**3,747**	2,819	**3,747**	2,819
Less: amounts due within one year shown under current liabilities			**(1,711)**	(2,180)
Amounts due after one year			**2,036**	639

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

30. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

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, 2009, the average effective borrowing rates range from 4.0% to 5.0% (2008: 4.3% to 7.0%) 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.

31. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2008, 31st December, 2008 and 2009	**1,800,000,000**	**180,000**
Issued and fully paid:		
At 1st January, 2008, 31st December, 2008 and 2009	**567,362,500**	**56,736**

During the year, the Company repurchased its 300,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$115,250. The 300,000 shares were cancelled on delivery of the share certificates subsequent to the end of the reporting period.

32. 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.

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For the year ended 31st December, 2009

32. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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, 2009. 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.

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.

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For the year ended 31st December, 2009

32. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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.

33. DEFERRED TAXATION

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

	Accelerated accounting depreciation	Revaluation on properties	Accelerated tax depreciation	Tax losses	Withholding tax on retained profits to be distributed	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2008	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 profit or loss	(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 profit or loss	(182)	–	967	(442)	–	(11)	332
At 31st December, 2008	2,895	(6,633)	(13,372)	6,080	(900)	221	(11,709)
Exchange differences	–	(1)	–	–	–	–	(1)
Credit (charge) to profit or loss	74	490	(2,239)	1,642	(2,000)	33	(2,000)
At 31st December, 2009	**2,969**	**(6,144)**	**(15,611)**	**7,722**	**(2,900)**	**254**	**(13,710)**

For the purposes of presentation in the consolidated statement of financial position, deferred tax assets and liabilities of the same entity have been offset and shown under non-current liabilities.

Notes to the Consolidated Financial Statements

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33. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has unused tax losses of HK$666,205,000 (2008: HK$695,725,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$46,789,000 (2008: HK$36,839,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$619,416,000 (2008: HK$658,886,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$15,300,000 (2008: HK$14,673,000) which will expire in the following years ending 31st December:

	2009	2008
	HK$'000	HK$'000
2009	**–**	468
2010	**1,325**	1,681
2011	**1,605**	1,428
2012	**1,509**	1,318
2013	**3,968**	9,778
2014	**6,893**	–
	15,300	14,673

At the end of the reporting period, the Group has deductible temporary differences of HK$30,509,000 (2008: HK$30,192,000) in respect of accelerated accounting depreciation and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK$19,524,000 (2008: HK$18,876,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$10,985,000 (2008: HK$11,316,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

34. 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$4,000,000 (2008: HK$440,000).

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For the year ended 31st December, 2009

35. PLEDGE OF ASSETS

At the end of the reporting period, 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:

	2009	2008
	HK$'000	HK$'000
Investment properties	**14,300**	14,300
Buildings and prepaid lease payments	**39,687**	19,127
Plant and machinery and equipment	**–**	9,580
Bank deposits	**20,572**	26,203
	74,559	69,210

As at 31st December, 2008, the Group had 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 in prior year. The pledge was wholly released during the year.

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Land and buildings:		
Within one year	**7,495**	10,513
In the second to fifth year inclusive	**3,699**	7,105
After five years	**5,956**	5,953
	17,150	23,571
Plant and machinery and equipment:		
Within one year	**409**	408
In the second to fifth year inclusive	**443**	850
	852	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.

36. OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009 **HK$'000**	2008 HK$'000
Land and buildings:		
Within one year	**375**	900
In the second to fifth year inclusive	**–**	375
	375	1,275

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

37. CAPITAL COMMITMENTS

	2009 **HK$'000**	2008 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**84,010**	56,164
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**7,578**	–

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

38. 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 maximum 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$8,317,000 (2008: HK$4,778,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$143,000 (2008: HK$355,000).

39. RELATED PARTY TRANSACTIONS

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

	Trade sales		Trade purchases		Rental charges		Payment on behalf of the entities	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
A jointly controlled entity	**–**	–	**2,882**	3,831	**–**	–	**–**	–
Associates	**–**	3,303	**–**	–	**–**	–	**–**	126
Minority shareholders with significant influence over certain subsidiaries	**–**	–	**–**	–	**1,731**	165	**–**	–

Compensation of key management personnel

The Group's key management personnel are all directors, details of their remuneration are disclosed in note 11.

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

40. 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, Tianjin Goldsun Wire Rope Ltd. (formerly known as Bridon Tianjin Rope Ltd.) (collectively referred to as the "China Rope Group") at a consideration of HK$25,049,000, excluding 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 had been accounted for using the purchase method. Upon the completion on 1st December, 2008, China Rope became a wholly owned subsidiary of the Company.

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 included in other payable	(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 was determined based on the interest rate of loans with similar terms of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

40. 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 was 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 revenue 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.

41. 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 29, net of cash and cash equivalents, and equity attributable to owners 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.

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**912,037**	803,370
Financial liabilities		
At amortised cost	**1,013,094**	948,587
Derivative financial instruments	**196**	595

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

42. 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 other receivables, trade and other payables and borrowings denominated in foreign currencies.

(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**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**740**	826	**95**	15
United States dollars	**77,723**	38,117	**33,730**	16,503
Renminbi	**10,788**	10,357	**7,939**	8,070
Others	**5,790**	4,048	**1,382**	372

Foreign currency sensitivity

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

42. FINANCIAL INSTRUMENTS *(continued)*

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

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

Foreign currency sensitivity (continued)

The following table details the Group's sensitivity to a 5% (2008: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2008: 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% (2008: 5%) change in foreign currency rates. A negative number indicates a decrease in profit for the year where the functional currencies of the relevant group entities strengthens against the relevant foreign currencies. For a 5% (2008: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit for the year.

	Profit for the year	
	2009	2008
	HK$'000	HK$'000
Foreign currencies		
Hong Kong dollars	**(32)**	(41)
United States dollars	**(47)**	(133)
Renminbi	**(142)**	(114)
Others	**(220)**	(184)

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 the end of each reporting period, which therefore exposed the Group to foreign currency risk.

Foreign currency sensitivity

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

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 dollars at the reporting date.

If the forward exchange rate of Renminbi against United States dollars 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 Nil (2008: HK$1,082,000).

42. FINANCIAL INSTRUMENTS *(continued)*

(d) Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (note 24), fixed-rate other loans receivables (note 20) and fixed-rate bank borrowings and obligations under finance leases (notes 29 and 30). 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, 29 and 30 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, LIBOR and PBOC arising from the Group's borrowings denominated in Hong Kong dollars and Renminbi.

Sensitivity analysis

The sensitivity analysis below has 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 end of the reporting period was existed for the whole year. A 50 (2008: 50) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2008: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2009 would decrease/increase by HK$3,349,000 (2008: decrease/increase by HK$3,032,000).

(e) Credit risk management

As at 31st December, 2009, 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 is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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 the end of each reporting period 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 good reputation.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

42. FINANCIAL INSTRUMENTS *(continued)*

(f) Liquidity risk management *(continued)*

As at 31st December, 2009, the Group has available unutilised short and long-term bank loan facilities of approximately HK$495,693,000 and HK$14,801,000 (2008: HK$358,198,000 and HK$16,207,000) respectively.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

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$'000	Carrying amount at 31.12.2009 HK$'000
2009									
Non-derivative instruments									
Trade and other payables	–	205,614	490	–	–	–	–	206,104	206,104
Bank borrowings									
– Fixed interest rate	5.60	84,881	21,082	31,679	–	–	–	137,642	135,458
– Variable interest rate	3.32	467,142	141,488	31,676	14,454	6,787	10,412	671,959	666,710
Amounts due to minority shareholders	–	4,822	–	–	–	–	–	4,822	4,822
Obligations under finance leases									
– Fixed interest rate	6.54	91	91	141	129	106	79	637	575
– Variable interest rate	2.63	413	349	698	1,396	374	–	3,230	3,172
		762,963	163,500	64,194	15,979	7,267	10,491	1,024,394	1,016,841

	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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2009

42. 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.

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.

(h) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2009 Level 2 HK$'000
Derivative financial liabilities	**196**

43. 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
				2009	2008	
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Investment holding and trading of steel and metal products
China Rope Holdings Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$18,162,854 Non-voting deferred shares	**100%**	100%	Investment holding

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43. 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
				2009	2008	
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	**100%**	55%	Manufacturing and sales of metal products
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	Incorporated	Hong Kong	HK$750,000,000 Ordinary shares	**100%**	100%	Investment and properties holding and sales of steel bars and metal products
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK$10,000,000 Ordinary shares	**51%**	51%	Manufacturing and sales of PVC plastic products
Stahl Trading Pty Ltd.****	Incorporated	Australia	AUS$100 Ordinary shares	**100%**	100%	Sales of steel and metal products

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For the year ended 31st December, 2009

43. 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
				2009	2008	
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
Tianjin Goldsun Wire Rope Ltd. (formerly known as Bridon Tianjin Rope Ltd.)	Equity joint venture	PRC	US$2,000,000 Registered capital	**75.5%**	75.5%	Manufacturing and sales of steel wire ropes for elevators
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$6,380,000 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 has changed its name to Jiangmen Golik Metal Manufacturing Co., Ltd. with effect from 19th January, 2010.

**** The subsidiary has changed its name to Golik Metal Trading (Australia) Pty. Ltd. with effect from 29th January, 2010.

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.