GOLIK

GOLIK HOLDINGS LIMITED

Stock Code : 1118
Incorporated in Bermuda with limited liability

ANNUAL
REPORT
2012

GOLIK

Contents

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong

REMUNERATION COMMITTEE

Mr. YU Kwok Kan, Stephen
Mr. CHAN Yat Yan
Mr. LO Yip Tong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Troutman Sanders
W. K. To & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
BNP Paribas
China CITIC Bank International 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
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

INVESTOR RELATIONS

JOVIAN Financial Communications Limited
24/F., Tung Hip Commercial Building
244–248 Des Voeux Road Central
Hong Kong
Tel: +852 2581 0168
Fax: +852 2156 9610
E-mail: golik@joviancomm.com

WEBSITE

www.golik.com.hk

STOCK CODE

1118

Financial Summary

RESULTS

	For the year ended 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	3,546,116	2,933,396	3,343,356	2,826,426	**2,916,502**
Profit before taxation	63,715	105,103	114,750	108,204	**93,961**
Income taxes	(9,505)	(18,658)	(14,586)	(7,830)	**(9,045)**
Profit for the year	54,210	86,445	100,164	100,374	**84,916**
Profit attributable to:					
Shareholders of the Company	45,711	67,221	90,868	101,310	**81,748**
Non-controlling interests	8,499	19,224	9,296	(936)	**3,168**
	54,210	86,445	100,164	100,374	**84,916**

ASSETS AND LIABILITIES

	At 31st December,				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,591,437	1,721,798	1,730,701	2,004,495	**1,900,400**
Total liabilities	(985,941)	(1,053,294)	(1,021,439)	(1,257,088)	**(1,083,419)**
Net assets	605,496	668,504	709,262	747,407	**816,981**
Equity attributable to shareholders of the Company	517,948	576,633	645,128	728,316	**794,726**
Non-controlling interests	87,548	91,871	64,134	19,091	**22,255**
Total equity	605,496	668,504	709,262	747,407	**816,981**

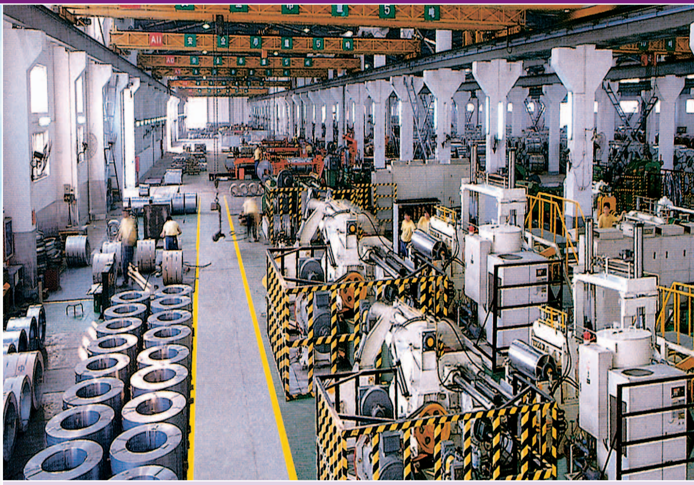
Business Profile

Building Construction Materials
Steel Distribution

▲ **Metal Products**
Galvanized Steel Wire Production Line in Heshan, Guangdong, Mainland China

▼ **Building Construction Materials**
Ready Mixed Concrete Plant in Tong Yan San Tsuen, Yuen Long, Hong Kong

▲ **Building Construction Materials**
Steel Rebar Processing Centre in Tai Po, Hong Kong

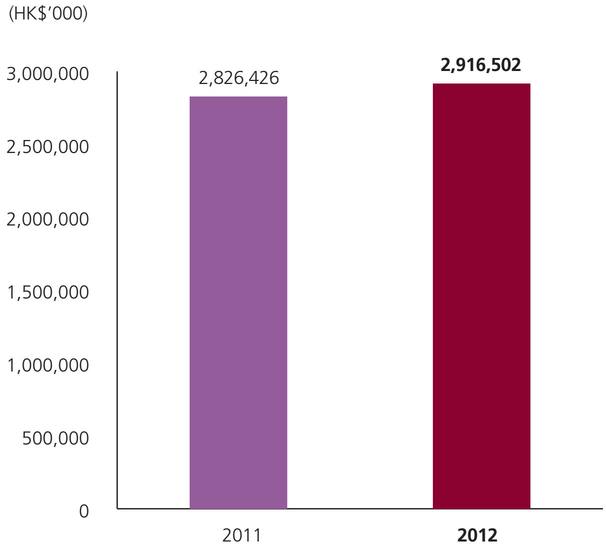


▲ **Metal Products**
Steel Coil Processing Centre in Dongguan, Guangdong, Mainland China

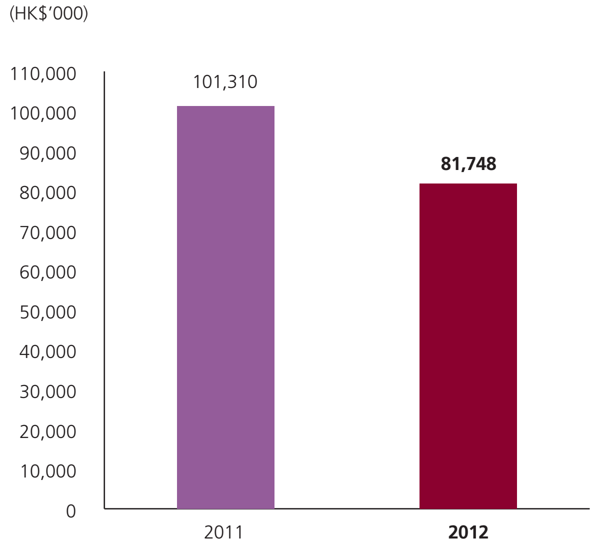
▼ **Metal Products**
Elevator Wire Rope Production Line in Tianjin, Mainland China

Financial Highlights

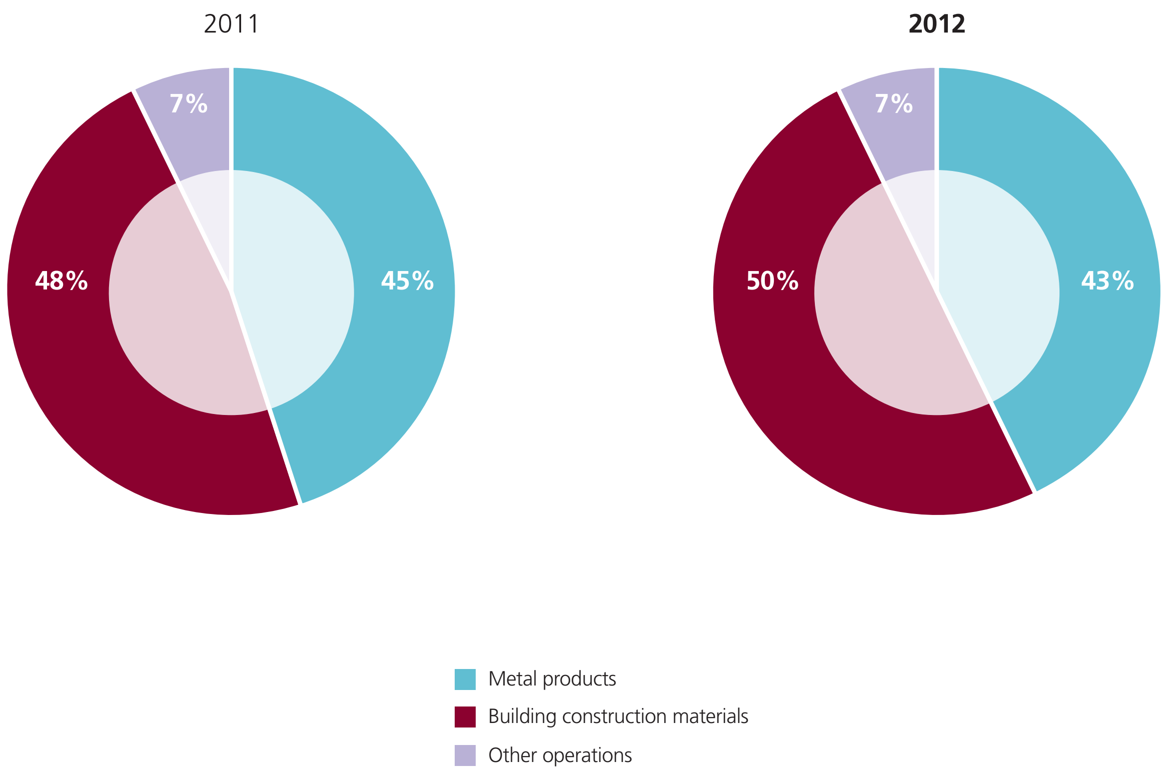
Revenue for the years ended 31st December, 2011 and 2012



Profit attributable to shareholders of the Company for the years ended 31st December, 2011 and 2012



Revenue by segments for the years ended 31st December, 2011 and 2012



Chairman's Statement

The Group is optimistic about prospects for our building construction materials business in Hong Kong.

Pang Tak Chung
Chairman

BUSINESS REVIEW

Over the course of the year, the Group's two major core businesses were metal products and building construction materials.

In 2012, uncertainties persisted over the world's economy as the sovereign debt crisis in Europe deepened its economic woes, sustained economic growth in the United States remained delicate, and new challenges were posed to developed nations in this extended period of subdued economic growth. Moreover, the growth of emerging economies, including China, also exhibited signs of deceleration. Demand weaknesses in both export and domestic markets resulted in the Chinese economy hitting a low point in the second quarter despite relative stability.

Under such difficult market conditions, the Group's businesses, and in particular elemental operations in the value chain of manufacturers of export-bound products continued to endure heavy stress throughout the year.

The building construction materials business in Hong Kong continued to benefit from the progressive upturn in the industry where performance remained relatively stable. However, project delays and slowdowns in the past year meant the anticipated start of the peak cycle in the construction industry had been deferred, therefore partly affecting contributions from our building construction materials business.

The Group's result of the past year could not maintain the steady growth momentum achieved over the past years as a result of the aforementioned unfavourable factors and conditions.

For the year ended 31st December, 2012, the Group's revenue was HK$2,916,502,000, an increase of approximately 3% compared to last year.

BUSINESS REVIEW *(continued)*

After the deduction of non-controlling interests, profit attributable to the shareholders of the Company for the year was HK$81,748,000, a decrease of approximately 19% compared to the same period last year.

The Board of Directors has recommended a final dividend of HK2.5 cents per share. Together with the paid interim dividend of HK1.5 cents per share, total dividends for the year will amount to HK4 cents per share.

Metal Products

The business comprises mainly of steel coil processing, steel wire ropes and other steel wire products processing and manufacturing. Revenue for the year was HK$1,275,850,000, comparable against last year. Profit before interest and taxation was HK$48,671,000, a decrease of approximately 16% over last year.

Long-term weakness in export markets and rising costs had created a very difficult operating environment for services of metal products in export manufacturing industries. More so, the steel coil processing business is clearly affected and performance for the year was unsatisfactory.

Despite similar challenges of rising costs and increased market competition, elevator wire rope products that are supplied predominantly to the domestic market in China achieved double-digit growth year-on-year in revenue and profitability terms — due in part to our leading market position, our excellent brand reputation and sound management.

Right now, the Group's Mainland manufacturing operations are faced with broad overcapacity in participating markets, intensified competition and downward pressure on prices all at the same time when upward pressure continues on labour costs and other overheads. A number of traditional manufacturing industries are contracting and structural transformation is imminently necessary. To avoid the present predicament, our strategic focus towards high value-add products will realistically require time and will go through a process of transformation and upgrade from low-end manufacturing to high-end manufacturing. Our management team is actively pursuing towards this direction.

Building Construction Materials

The business comprises mainly of the supply of ready mixed concrete in Hong Kong, construction steel distribution and other building construction materials. Revenue for the year was HK$1,457,562,000, an increase of approximately 7% over last year. Profit before interest and taxation was HK$89,951,000, representing a decrease of approximately 14% over last year.

In recent years, the business operating environment experienced considerable upsides as the construction industry in Hong Kong continued to benefit from the commencement of a number of major infrastructure projects. Nonetheless, a variety of factors such as construction labour shortage, regulatory and administrative red tape, and so forth had in general affected work progress and moderated construction activities from the anticipated peak. Moreover, the return of government land for development purposes in Lantau Island on maturity where one of our concrete plants once operated affected the income of the Group's ready mixed concrete business to a certain extent resulting in unsatisfactory performance for the year. The construction steel distribution business however achieved satisfactory growth over the previous year lifting the Group's building construction materials performance to a stable level.

Over the next few years, the Group expects to derive its main source of income from the building construction materials business in Hong Kong. Apart from actively identifying opportunities for a new ready mixed concrete plant site, the Group will also look at opportunities to further strengthen its risk management of construction steel against price fluctuations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the total bank balances and cash of the Group amounted to HK$373,466,000 (31st December, 2011: HK$351,051,000). As at 31st December, 2012, current ratio (current assets to current liabilities) for the Group was 1.42:1 (31st December, 2011: 1.31:1).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

As at 31st December, 2012, the total borrowings for the Group amounted to HK$684,725,000 (31st December, 2011: HK$945,327,000).

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 material change to the capital structure of the Company. The number of the Company's ordinary shares in issue as at 31st December, 2012 was 561,922,500 (31st December, 2011: 561,922,500). As at 31st December, 2012, the equity attributable to the shareholders of the Company amounted to HK$794,726,000 (31st December, 2011: HK$728,316,000).

As at 31st December, 2012, net gearing ratio (total borrowings minus bank balances and cash to total equity) was 0.38:1 (31st December, 2011: 0.80:1).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2012, the total number of staff of the Group was 1,282. 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.

PROSPECT

The economic road to recovery continues to face headwinds. Perpetuating uncertainties in the broader economic environment will continue to dampen consumer confidence and weaken the market's purchasing power. In this environment the Group's Mainland manufacturing businesses, notably the value-add service operations of metal products for export manufacturers will continue to face many challenges ahead.

Though not insulated in this global environment, China and Hong Kong remain relatively stable. In particular, the solid economic fundamentals and stable investment environment of Hong Kong keeps it advantageous, housing and infrastructure investments in both the public and private sector are bound to increase over the next few years. The Group is optimistic about prospects for our building construction materials business in Hong Kong.

Despite surrounded by many uncertainties and challenges in the broad environment, the Group has confidence in the management team's ability to navigate through these adversities and challenges to maintain stability, create development opportunities and endeavour to produce perpetual and stable returns for our shareholders.

ACKNOWLEDGEMENTS

I personally take this opportunity to thank all our employees and management staff in abundance for their past efforts and contributions. I would also like to thank all our customers, shareholders, banks and business associates who had supported us along the way. With your continuing support, the Group endeavours to deliver good results in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 25th March, 2013

Biography of Directors

Mr. Pang Tak Chung, aged 64, has been the Chairman and Managing Director 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. ("GIL") (GIL is wholly owned by Mr. Pang and is a substantial shareholder of the Company). He is responsible for strategic planning, overall management and corporate development of the Group. He has over 37 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 and Thirteen 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 57, 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 32 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 68, has been appointed as Executive Director of the Company and 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, a registered Chartered Practising Engineer (CPE) and a member of Institute of Engineers Australia. Educated in Western Australia, he has held 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, sales and marketing and general management. Mr. Fletcher has resided in Hong Kong for more than 28 years.

Mr. Yu Kwok Kan, Stephen, aged 57, has been appointed as an Independent Non-executive Director of the Company since 1997 and is a member of the Audit Committee and Remuneration Committee of the Company. 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 32 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 57, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. He holds MBA from the University of Macau. Mr. Chan is the general manager of Modern Marketing Ltd. He has held senior management positions in corporate management, marketing and corporate communication and achieved many accomplishments with various multi-national corporations and leading Fortune 500 companies in the PRC for over 24 years, including BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He also has extensive knowledge and experience in the PRC market.

Mr. Lo Yip Tong, aged 55, has been appointed as an Independent Non-executive Director of the Company since 2004 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Lo is the proprietor of Y.T. Lo & Co., Certified Public Accountants and has over 27 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 the maintenance of good corporate governance practices as set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

CORPORATE GOVERNANCE PRACTICES

The Company has complied with code provisions as set out in the CG Code for the year ended 31st December, 2012 except the followings:

Code provision A.2.1, the Company does not separate the roles of Chairman and Chief Executive Officer and Mr. Pang Tak Chung currently holds both positions. As the Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of its business efficiently.

Code provision A.5.1, the Company does not propose to establish a nomination committee for the time being as the full Board is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of their skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the directors.

Code provision A.6.7, two Independent Non-executive Directors were unable to attend the annual general meeting of the Company held on 8th June, 2012 as they had another engagement.

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, 2012.

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

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

The Board is responsible for overseeing overall management of business and strategic development, deciding business and investment plans and exercising other powers, functions and duties conferred by shareholders at the general meeting. All directors have full and timely access to all relevant information in relation to the Company as well as the advices and services of the Company Secretary, if and when required, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed.

BOARD OF DIRECTORS *(continued)*

For a director to be considered independent, the director must not have any direct or indirect material relationship with the Group. 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.

DIRECTORS' TRAINING

All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company has arranged adequate training and site visit for directors to enhance their understanding of the Group's business operations and responsibility.

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.

For the Company's directors who previously did not have set term of office, the Company has entered into service contracts with them (including Non-executive Directors) in March, 2012 set out key terms and conditions relative to their appointments. All of them have agreed and accepted with the terms and conditions under their respective service contracts. The service contracts of Non-executive Directors provide for a term of three years.

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, as explained in the section of Corporate Governance Practices.

COMPANY SECRETARY

Mr. Ho Wai Yu, Sammy is the Company Secretary, who is also an Executive Director of the Company. He supports the Board, ensures good information flow within the Board and Board policy and procedures are followed, advises the Board on governance matters and arrange continuous professional development to the Directors. His biography is set out in the "Biography of Directors" of this annual 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 Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedures are followed.

AUDIT COMMITTEE

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

During the year, the Audit Committee met four times to review the completeness, accuracy and fairness of the Group'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 Company 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.

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, 2012.

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.

DIRECTORS' ATTENDANCE RECORDS FOR MEETINGS HELD DURING THE YEAR ENDED 31ST DECEMBER, 2012

	Number of Meetings attended/held during the year		
Name	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**
Executive Directors			
Mr. Pang Tak Chung	4/4	N/A	N/A
Mr. Ho Wai Yu, Sammy	4/4	N/A	N/A
Mr. John Cyril Fletcher	3/4	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 management where appropriate, to ensure awareness of best corporate governance practices.

AUDITOR'S REMUNERATION

During the year ended 31st December, 2012, 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 2012 interim results	348
Audit fee for 2012 final results	2,528
Audit service fee for Occupational Retirement Schemes	7
Audit service fee for continuing connected transactions	21
Total fees	2,904

SHAREHOLDER RELATIONS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. The annual general meeting of the company ("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 Company 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 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, 2012.

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 45 and 19 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 21.

An interim dividend of HK1.5 cents per share, amounting to HK$8,429,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK2.5 cents per share to the shareholders whose names appear on the register of members of the Company on 19 June, 2013, amounting to HK$14,048,000.

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$28.6 million. In addition, property, plant and equipment with carrying values of approximately HK$0.3 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 34 and 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2012 were as follows:

	2012 **HK$'000**	2011 HK$'000
Contributed surplus	**65,891**	65,891
Retained profits	**112,644**	117,089
	178,535	182,980

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS

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

Executive Directors

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

Independent Non-executive Directors

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

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

For the year ended 31st December, 2012, the Company's non-executive directors were appointed for a specific term. All directors (including independent non-executive directors) are also 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, 2012, 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 Listing Rules, were as follows:

(1) Long position

Shares of the Company

	Number of ordinary shares			
Name of directors	**Personal interest**	**Held by controlled corporation**	**Total**	**Percentage of issued shares**
Mr. Pang Tak Chung (Note)	151,674,708	195,646,500	347,321,208	61.81%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. John Cyril Fletcher	330,000	–	330,000	0.06%

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

DIRECTORS' INTERESTS IN SECURITIES *(continued)*

(1) Long position *(continued)*

Share options

Particulars of the share option scheme of the Company are set out in note 35 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2012 and 31st December, 2012.

(2) Shares in subsidiaries

As at 31st December, 2012, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and World Producer Limited, a controlled corporation, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 31st December, 2012, 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.

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 Company's 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, 2012, 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	34.82%

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, 2012, 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 41% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 23% 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 issued share capital) have any interest in any of the Group's five largest customers or suppliers.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

The emolument policy of the directors of the Company is 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 35 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.

CHARITABLE DONATIONS

Donations made by the Group during the year amounted to HK$7,000.

CONTINUING CONNECTED TRANSACTIONS

Lease Agreement and Processing Agreement

On 30th December, 2010, a subsidiary of the Company – Tianjin Goldsun Wire Rope Ltd. ("TJ Goldsun") entered into a lease agreement (the "Lease Agreement") and a processing agreement (the "Processing Agreement") with Tianjin Metallurgy Group Flourish Steel Industrial Co., Ltd. ("Flourish Steel"), pursuant to which Flourish Steel agreed to lease properties to TJ Goldsun and provide processing service of steel wires to TJ Goldsun for a term of 20 years commencing from 1st January, 2011 and ending on 31st December, 2030 (the "Transactions").

Flourish Steel was an associate of TJ Goldsun's substantial shareholder and therefore a connected person of the Company. Accordingly, the Transactions constituted continuing connected transactions under the Listing Rules, details of the terms and the annual caps could be found in the Company's circular dated 20th January, 2011 (the "Circular") published on the websites of the Company and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS *(continued)*

Lease Agreement and Processing Agreement *(continued)*

The Company's auditor was engaged to report on the Transactions and has issued a letter to the board of directors of the Company set out the confirmation required under Rule 14A.38 of the Listing Rules and a copy of which has been provided by the Company to the Stock Exchange.

All Independent Non-executive Directors of the Company had reviewed the Transactions and confirmed that:

a. the Transactions for the year ended 31st December, 2012 were entered into:
   (i) in the ordinary and usual course of the Company's business;
   (ii) on terms no less favourable to the Company than terms available from independent third parties; and
   (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its shareholders as a whole.

b. the respective approximate total rental and utilities expenses under the Lease Agreement and processing charges under the Processing Agreement paid and payable by TJ Goldsun for the year ended 31st December, 2012 which did not exceed the annual caps as disclosed in the Circular were as follows:

	Amount paid and payable by TJ Goldsun	Annual Caps Amount
	RMB	RMB
Rental	5,500,000	5,500,000
Utilities expenses	10,045,911	19,400,000
Processing charges	26,746,774	61,000,000

To the extent of related party transactions set out in note 41 to the consolidated financial statements which constituted connected transactions (as defined in the Listing Rules) as identified above, the Company had complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules during the year.

AUDITOR

The consolidated financial statements of the Company have been audited by Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the forthcoming annual general meeting to re-appoint Deloitte as auditor of the Company.

On behalf of the Board

Pang Tak Chung
Chairman

25th March, 2013

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 84, which comprise the consolidated statement of financial position as at 31st December, 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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.

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, 2012 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

25th March, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	5	**2,916,502**	2,826,426
Cost of sales		**(2,564,895)**	(2,501,334)
Gross profit		**351,607**	325,092
Other income	6	**19,673**	23,995
Interest income		**2,257**	1,452
Selling and distribution costs		**(82,748)**	(70,783)
Administrative expenses		**(159,566)**	(145,764)
Other gains and losses	7	**(7,589)**	(3,490)
Finance costs	8	**(29,574)**	(22,217)
Share of results of jointly controlled entities		**(99)**	(81)
Profit before taxation		**93,961**	108,204
Income taxes	9	**(9,045)**	(7,830)
Profit for the year	10	**84,916**	100,374
Other comprehensive income			
Exchange difference arising from the translation of foreign operations		**(120)**	13,307
Fair value gain on available-for-sale investment		**8,320**	–
Total comprehensive income for the year		**93,116**	113,681
Profit attributable to:			
Shareholders of the Company		**81,748**	101,310
Non-controlling interests		**3,168**	(936)
		84,916	100,374
Total comprehensive income attributable to:			
Shareholders of the Company		**89,952**	113,361
Non-controlling interests		**3,164**	320
		93,116	113,681
		HK cents	HK cents
Earnings per share	14		
Basic and diluted		**14.55**	18.03

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current Assets			
Goodwill	15	–	–
Investment properties	16	–	3,670
Property, plant and equipment	17	344,220	354,086
Prepaid lease payments	18	16,678	17,164
Interests in jointly controlled entities	19	2,696	2,795
Available-for-sale investment	20	20,800	–
Long-term receivables	21	229	479
Deposits placed at insurance companies	22	8,877	8,059
Rental and other deposits		1,100	1,759
Deposits paid for acquisition of property, plant and equipment		5,229	7,492
Amounts due from jointly controlled entities	23	6,952	6,947
Pledged bank deposits	24	1,509	1,509
		408,290	403,960
Current Assets			
Inventories	25	472,894	577,377
Trade and other receivables	26	602,485	670,408
Prepaid lease payments	18	483	455
Income tax recoverable		145	289
Derivative financial instruments	33	–	91
Pledged bank deposits	24	42,637	864
Bank balances and cash	27	373,466	351,051
		1,492,110	1,600,535
Current Liabilities			
Trade and other payables	28	304,360	221,009
Amounts due to non-controlling shareholders	29	26,380	29,159
Income tax payable		8,483	5,852
Bank borrowings	30	670,019	922,853
Obligations under finance leases	31	228	472
Obligation arising from a put option to non-controlling shareholders	32	31,050	29,841
Derivative financial instruments	33	12,395	11,091
		1,052,915	1,220,277
Net Current Assets		439,195	380,258
		847,485	784,218

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Capital and Reserves			
Share capital	34	**56,192**	56,192
Share premium and reserves		**738,534**	672,124
Equity attributable to shareholders of the Company		**794,726**	728,316
Non-controlling interests		**22,255**	19,091
Total Equity		**816,981**	747,407
Non-current Liabilities			
Bank borrowings	30	**14,262**	21,925
Deferred tax liabilities	36	**16,026**	14,809
Obligations under finance leases	31	**216**	77
		30,504	36,811
		847,485	784,218

The consolidated financial statements on pages 21 to 84 were approved and authorised for issue by the Board of Directors on 25th March, 2013 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, 2012

	Attributable to shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (Note a)	Investment revaluation reserve HK$'000	Other reserve HK$'000 (Note b)	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011	56,192	316,466	26,104	3,949	–	(749)	243,166	645,128	64,134	709,262
Profit for the year	–	–	–	–	–	–	101,310	101,310	(936)	100,374
Other comprehensive income for the year										
Exchange difference arising from the translation of foreign operations	–	–	12,051	–	–	–	–	12,051	1,256	13,307
Total comprehensive income for the year	–	–	12,051	–	–	–	101,310	113,361	320	113,681
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(23,690)	(23,690)
Dividends paid (note 13)	–	–	–	–	–	–	(21,353)	(21,353)	–	(21,353)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(8,820)	–	(8,820)	8,168	(652)
Obligation arising from a put option (note 32)	–	–	–	–	–	–	–	–	(29,841)	(29,841)
At 31st December, 2011	56,192	316,466	38,155	3,949	–	(9,569)	323,123	728,316	19,091	747,407
Profit for the year	–	–	–	–	–	–	81,748	81,748	3,168	84,916
Other comprehensive income for the year										
Exchange difference arising from the translation of foreign operations	–	–	(116)	–	–	–	–	(116)	(4)	(120)
Fair value gain on available-for-sale investment	–	–	–	–	8,320	–	–	8,320	–	8,320
Total comprehensive income for the year	–	–	(116)	–	8,320	–	81,748	89,952	3,164	93,116
Deemed contribution by a former non-controlling shareholder	–	–	–	–	–	621	–	621	–	621
Dividends paid (note 13)	–	–	–	–	–	–	(24,163)	(24,163)	–	(24,163)
At 31st December, 2012	**56,192**	**316,466**	**38,039**	**3,949**	**8,320**	**(8,948)**	**380,708**	**794,726**	**22,255**	**816,981**

Notes:

(a) 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.

(b) Other reserve represented:

(i) adjustments arising from acquisition of additional interest in a subsidiary of HK$150,000 and deemed disposal of part of its interest in a subsidiary of HK$599,000.

(ii) adjustments arising from acquisition of additional interest in a subsidiary of HK$8,820,000 during the year ended 31st December, 2011.

(iii) deemed contribution arising from waiver of amount due to a former non-controlling shareholder of HK$621,000 during the year ended 31st December, 2012. Incidental to acquisition of additional interest in a subsidiary during the year ended 31st December, 2011, as set out in note (b)(ii) to the consolidated statement of changes in equity, the former non-controlling shareholder and the Group agreed that the amount due to the former non-controlling shareholder to be partially settled, and the remaining balance would be waived upon settlement. Upon repayment of the agreed balance during the year ended 31st December, 2012 and the amount of HK$621,000 was waived accordingly and recognised as an equity transaction, consistent with the acquisition in note (b)(ii).

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**93,961**	108,204
Adjustments for:		
Gain on disposal of unlisted equity securities investment	**(12,480)**	–
Change in fair value of foreign currency forward contracts derivative	**(344)**	(803)
Fair value loss on put option derivative	**1,304**	11,091
Allowance for (reversal of allowance for) bad and doubtful debts, net	**15,098**	(11,977)
Impairment loss on property, plant and equipment	**5,733**	12,000
Imputed interest arising from a put option granted to non-controlling shareholders	**1,209**	–
Increase in fair value of investment properties	**–**	(790)
Gain on disposal of property, plant and equipment	**(1,786)**	(1,743)
Amortisation of prepaid lease payments	**455**	445
Write down (reversal of write down) of inventories	**14,055**	(14,965)
Depreciation	**36,106**	34,064
Interest income	**(2,257)**	(1,452)
Finance costs	**28,365**	22,217
Share of results of jointly controlled entities	**99**	81
Dividend from equity investment	**(192)**	–
Operating cash flows before movements in working capital	**179,326**	156,372
Decrease (increase) in inventories	**90,413**	(135,167)
Decrease (increase) in trade and other receivables	**35,328**	(69,344)
Change in foreign currency forward contracts derivative	**435**	516
Increase (decrease) in trade and other payables	**83,427**	(29,286)
Cash generated from (used in) operations	**388,929**	(76,909)
Hong Kong Profits Tax paid	**(864)**	(2,463)
Hong Kong Profits Tax refunded	**501**	–
Taxation outside Hong Kong paid	**(4,846)**	(4,879)
Taxation outside Hong Kong refunded	**158**	21
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**383,878**	(84,230)

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(21,081)**	(62,552)
Addition of prepaid lease payments	**–**	(477)
Deposits paid for acquisition of property, plant and equipment	**(4,789)**	(7,374)
Placement of pledged bank deposits	**(42,637)**	(2,664)
Withdrawal of pledged bank deposits	**864**	353
Advance to jointly controlled entities	**(5)**	(5)
Proceeds from disposal of property, plant and equipment	**2,067**	8,124
Advance of loans	**(336)**	(590)
Repayment of loans advanced	**475**	265
Interest received	**2,168**	1,358
Receipt of deferred consideration on disposal of a subsidiary	**17,515**	16,133
Dividend from equity investment	**192**	–
NET CASH USED IN INVESTING ACTIVITIES	**(45,567)**	(47,429)
FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	**–**	(652)
Bank loans raised	**275,530**	363,386
Repayment of bank loans	**(319,671)**	(293,842)
Interest paid	**(28,431)**	(20,783)
Dividend paid to non-controlling interest of subsidiaries	**–**	(23,690)
Dividends paid	**(24,163)**	(21,353)
Net (repayment) borrowing of trust receipt loans	**(216,326)**	114,940
Repayment of obligations under finance leases	**(585)**	(1,489)
(Repayment to) advance from non-controlling shareholders	**(2,158)**	26,152
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(315,804)**	142,669
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22,507**	11,010
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**351,051**	336,944
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(92)**	3,097
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**373,466**	351,051
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**373,466**	351,051

1. GENERAL

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

The 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 ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

In the current year, the Group has applied, for the first time, amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current year.

Under the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property and concluded that the Group's investment property is held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, and that the presumption set out in the amendments to HKAS 12 is rebutted. As a result, the Group's investment property that is measured using the fair value model has been presumed to be recovered through use. The amendments to HKAS 12 have been applied retrospectively, the application of the amendments has had no significant impact on the consolidated financial statements of the Group as at 1st January, 2011, 31st December, 2011 and 31st December, 2012 during which the investment property was transferred to property, plant and equipment.

The application of other amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2014.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st July, 2012.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* and amendments to HKFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1st January, 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1st January, 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in relation to derivative financial instruments in the future.

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

HKFRS 9 *Financial Instrument*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 included the requirements for classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2015. Based on the financial instruments of the Group as at 31st December, 2012, the Directors anticipate that the application of HKFRS 9 is not expected to have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities except the classification and measurement of available-for-sale investment.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities* has been withdrawn upon the issuance of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. Based on existing Group structure, the directors anticipated that the adoption of these standards will have no material impact on the consolidated financial statements.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. The directors of the Company anticipate that the adoption of HKFRS 13 in the financial year ending 31st December, 2013 will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

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

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* *(continued)*

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

Except as described above, the directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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 the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). 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.

Income and expenses 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill 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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are 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.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The financial statements of jointly controlled entities used for equity accounting purposes are using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 the sale of goods is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Dividend income from equity investments is recognised when the shareholders' right to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value. 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 property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

An investment property is transferred to property, plant and equipment when it is evidenced by the commencement of owner-occupation. The fair value, at the date of transfer, which is the deemed cost of the property for subsequent accounting in accordance with HKAS 16 *Property, plant and equipment*.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment, including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than assets under installation and construction in progress, are stated in the consolidated statement of financial position at cost less any subsequent accumulated depreciation and any subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than assets under installation and construction in progress less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
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%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Plant and machinery and equipment and motor vehicles held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease terms and their useful lives.

Assets under installation and construction in progress are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Assets under installation and construction in progress are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. 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 terms of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease terms on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 the respective 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 the 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) using exchange rates prevailing at the end of each reporting period. 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 under the heading of the exchange reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 before taxation' 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, 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 utilise 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 is 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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

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.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated 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 or 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 and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, 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.

Loans and receivables (including long-term receivables, deposits placed at insurance companies, trade and other receivables, pledged bank deposits and bank balances and cash, 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 (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables or held-to-maturity investments. The Group designated listed equity security as available-for-sale financial assets on initial recognition.

Equity securities held by the Group that are classified as available-for-sale investment are measured at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of loans and receivables and available-for-sale financial assets

Loans and receivables and available-for-sale financial assets are assessed for indicators of impairment at the end of each reporting period. Loans and receivables and available-for-sale financial assets are considered to be 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 and available-for-sale financial assets, the estimated future cash flows have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Trade receivables that are assessed not to be impaired individually are, in addition, 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 and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For loans and receivables, 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. Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised 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 purchases, sale, issue or cancellation of the Company's own equity instruments.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities (including trade and other payables, bank borrowings and amounts due to non-controlling shareholders)

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when it is those designated at FVTPL on initial recognition.

A financial liability designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gain or loss arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other gains and losses line item in profit or loss and includes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading and measured at fair value. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Obligation arising from a put option on shares of a subsidiary written to non-controlling shareholders

Put option written to non-controlling shareholders, which will be settled other than by exchange of fixed amount of cash for a fixed number of shares in a subsidiary is treated as derivative and is recognised at fair value upon initial recognition. Any changes of fair value in subsequent reporting dates are recognised in profit or loss.

The gross financial liability arising from the put option is recognised when contractual obligation to repurchase the shares in a subsidiary is established even if the obligation is conditional on the counterparty exercising a right to sell back the shares to the Group. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. In subsequent periods, the remeasurement of the present value of the estimated gross obligation under the written put option to the non-controlling shareholders is recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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 and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligation are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on assets other than goodwill

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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on assets other than goodwill *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or a cash-generating unit) 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 under that standard.

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 recognised as an expense when employees have rendered service entitling them to the contribution.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Key source of estimation uncertainty

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.

Income taxes

As at 31st December, 2012, a deferred tax asset of HK$1,677,000 (2011: HK$2,069,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$449,385,000 (2011: HK$504,363,000) 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 taxable profits generated are less or more than expected, a material reversal or further 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.

Impairment of property, plant and equipment

As at 31st December, 2012, the aggregate carrying amount of the Group's manufacturing assets which are mainly plant and machinery and equipment is HK$320,682,000 (2011: HK$313,609,000). Property, plant and equipment are first considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the cash-generating-unit ("CGU") to which the property, plant and equipment belong. The recoverable amount is the higher of fair value less costs to sell and its value in use. The management considers that the recoverable amount of the relevant CGU to which the relevant assets belong is determined on the basis of the value in use calculation which is higher than its fair value less costs to sell. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate. Where the future cash flows are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment loss or reversal of impairment loss may arise. As at 31st December, 2012, accumulated impairment loss of the Group's property, plant and equipment is HK$23,490,000 (2011: HK$17,765,000). Details about impairment losses provided during the year are set out in note 17.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key source of estimation uncertainty *(continued)*

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, 2012, the carrying amount of trade receivables is HK$544,280,000 (net of allowance for doubtful debts of HK$43,349,000) (2011: carrying amount of HK$617,729,000, net of allowance for doubtful debts of HK$29,109,000).

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 the 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, 2012, the carrying amount of inventories is HK$472,894,000 (2011: HK$577,377,000).

Obligation arising from a put option to non-controlling shareholders and fair value of the put option derivative

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The inputs to those valuation pricing models are taken from observable markets where possible, but where this is not feasible, a degree of estimate is required. The estimates include a discounted cash flow analysis for a subsidiary's market value calculation, net assets value of a subsidiary, discount rate and considerations of inputs such as adjustment factors to stock price, credit risk and volatility. Changes in assumptions about these factors could affect the carrying amount of the obligation arising from a put option to non-controlling shareholders and the fair value of the put option derivative.

As at 31st December, 2012, the carrying amount of the Group's obligation arising from a put option on shares of a subsidiary to non-controlling shareholders is approximately HK$31,050,000 (2011: HK$29,841,000). In addition, the fair value of the put option derivative is approximately HK$12,395,000 (2011: HK$11,091,000).

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.

Information reported to the Chairman and Vice Chairman of the Group, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold.

Specifically, the Group's operating and reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Metal products
2. Building construction materials

In addition, the Group's operations relating to plastic products and printing materials are aggregated and presented as other operations.

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

2012

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,263,003	1,455,341	2,718,344	198,158	–	2,916,502
Inter-segment sales	12,847	2,221	15,068	–	(15,068)	–
Total	1,275,850	1,457,562	2,733,412	198,158	(15,068)	2,916,502
SEGMENT RESULT	48,671	89,951	138,622	(9,026)	(36)	129,560
Unallocated other income						6,039
Unallocated corporate expenses						(23,141)
Fair value loss on put option derivative						(1,304)
Gain on disposal of unlisted equity security investment						12,480
Finance costs						(29,574)
Share of results of jointly controlled entities						(99)
Profit before taxation						93,961

5. REVENUE AND SEGMENT INFORMATION *(continued)*

2011

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE						
External sales	1,259,089	1,355,804	2,614,893	211,533	–	2,826,426
Inter-segment sales	13,777	149	13,926	–	(13,926)	–
Total	1,272,866	1,355,953	2,628,819	211,533	(13,926)	2,826,426
SEGMENT RESULT	57,712	105,134	162,846	(14,096)	(126)	148,624
Unallocated other income						5,809
Unallocated corporate expenses						(13,630)
Fair value loss on put option derivative						(11,091)
Increase in fair value of investment properties						790
Finance costs						(22,217)
Share of results of jointly controlled entities						(81)
Profit before taxation						108,204

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/suffered from each segment, net of selling and distribution costs and administrative expenses directly attributable to each segment without allocation of certain other income, corporate expenses, fair value loss on put option derivative, gain on disposal of unlisted equity security investment, increase in fair value of investment properties, finance costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

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

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Other segment information

The following other segment information is included in the measure of segment profit or loss:

2012

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	23,036	9,276	32,312	1,914	1,880	36,106
Amortisation of prepaid lease payments	455	–	455	–	–	455
Allowance for bad and doubtful debts, net	2,896	11,698	14,594	504	–	15,098
Write down (reversal of write down) of inventories	67	14,000	14,067	(12)	–	14,055
Gain on disposal of property, plant and equipment	(94)	(1,682)	(1,776)	(10)	–	(1,786)
Impairment loss on property, plant and equipment	–	–	–	5,733	–	5,733

2011

	Metal products HK$'000	Building construction materials HK$'000	Reportable segment total HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Depreciation	17,522	10,741	28,263	4,077	1,724	34,064
Amortisation of prepaid lease payments	445	–	445	–	–	445
Reversal of allowance for bad and doubtful debts, net	(5,546)	(5,711)	(11,257)	(720)	–	(11,977)
Reversal of write down of inventories	(2,060)	(12,750)	(14,810)	(155)	–	(14,965)
Loss (gain) on disposal of property, plant and equipment	981	(2,759)	(1,778)	35	–	(1,743)
Impairment loss on property, plant and equipment	–	–	–	12,000	–	12,000

5. REVENUE AND SEGMENT INFORMATION *(continued)*

Revenue from major products

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

	2012 **HK$'000**	2011 HK$'000
Metal products	**1,263,003**	1,259,089
Building construction materials		
– Concrete products	**170,830**	202,813
– Construction steel and other products	**1,284,511**	1,152,991
Others	**198,158**	211,533
	2,916,502	2,826,426

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 by geographical location of the customers and information about its non-current assets other than financial instruments by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets other than financial instruments**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Hong Kong	**1,675,150**	1,786,492	**87,741**	89,045
Other regions in the PRC	**1,011,935**	963,315	**282,182**	297,921
Macau	**48,901**	16,728	**–**	–
Australia	**29,256**	21,616	**–**	–
Others	**151,260**	38,275	**–**	–
	2,916,502	2,826,426	**369,923**	386,966

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

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance.

6. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Included in other income are:		
Dividend from equity investment	**192**	–
Rental income from property, plant and equipment	**744**	720
Sales of scraps	**5,552**	6,772

7. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Change in fair value of foreign currency forward contracts derivative	**(344)**	(803)
Fair value loss on put option derivative (note 33)	**1,304**	11,091
Gain on disposal of property, plant and equipment	**(1,786)**	(1,743)
Impairment losses on property, plant and equipment (note 17)	**5,733**	12,000
Increase in fair value of investment properties	**–**	(790)
Net exchange loss (gain)	**64**	(4,288)
Allowance for bad and doubtful debts	**15,308**	10,699
Reversal of allowance for bad and doubtful debts	**(210)**	(22,676)
Gain on disposal of unlisted equity security investment (note 20)	**(12,480)**	–
	7,589	3,490

8. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	**28,343**	22,181
Imputed interest arising from a put option granted to non-controlling shareholders	**1,209**	–
Finance leases	**22**	36
	29,574	22,217

9. INCOME TAXES

	2012 HK$'000	2011 HK$'000
The charge comprises:		
Current year		
Hong Kong	**131**	1,147
Other regions in the PRC	**7,226**	5,974
	7,357	7,121
Underprovision (overprovision) in prior years		
Hong Kong	**478**	–
Other regions in the PRC	**(7)**	(446)
	471	(446)
Deferred tax (note 36)	**1,217**	1,155
	9,045	7,830

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 PRC Enterprise Income Tax Law requires withholding tax to be levied on distribution of profits earned by a PRC entity to a Hong Kong resident company (which is the beneficial owner of the dividend received) for profits generated after 1 January 2008 at the rate of 5%. As at 31st December, 2012 and 31st December, 2011, deferred tax was provided for in full in respect of the temporary differences attributable to such profits.

9. INCOME TAXES *(continued)*

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

	Hong Kong		PRC and others		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Profit before taxation	**79,159**	80,048	**14,802**	28,156	**93,961**	108,204
Domestic income tax rate	**16.5%**	16.5%	**25%**	25%		
Tax at the domestic income tax rate	**13,061**	13,208	**3,700**	7,039	**16,761**	20,247
Tax effect of share of results of jointly controlled entities	**(16)**	(13)	**–**	–	**(16)**	(13)
Tax effect of expenses not deductible for tax purpose	**626**	3,119	**1,203**	2,953	**1,829**	6,072
Tax effect of income not taxable for tax purpose	**(2,539)**	(731)	**(55)**	(614)	**(2,594)**	(1,345)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	**(319)**	(1,151)	**–**	–	**(319)**	(1,151)
Tax effect of tax losses not recognised	**433**	3,089	**439**	565	**872**	3,654
Tax effect of utilisation of tax loss previously not recognised	**(9,566)**	(15,573)	**(346)**	(3,922)	**(9,912)**	(19,495)
Tax effect of other deductible temporary difference not recognised	**946**	1,980	**2,695**	767	**3,641**	2,747
Tax effect of utilisation of other deductible temporary difference previously not recognised	**(1,148)**	(2,531)	**–**	–	**(1,148)**	(2,531)
Effect of tax exemption and tax concession granted to PRC subsidiaries	**–**	–	**(267)**	(913)	**(267)**	(913)
Withholding tax on retained profit to be distributed	**730**	250	**–**	–	**730**	250
Underprovision (overprovision) in prior years	**478**	–	**(7)**	(446)	**471**	(446)
Others	**(860)**	655	**(143)**	99	**(1,003)**	754
Income taxes for the year	**1,826**	2,302	**7,219**	5,528	**9,045**	7,830

Details of deferred taxation are set out in note 36.

10. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of prepaid lease payments	**455**	445
Auditor's remuneration		
Current year	**3,597**	3,392
Underprovision in prior years	**528**	82
Cost of inventories recognised as expense including write down of inventories of HK$14,055,000 (2011: reversal of write down of inventories of HK$14,965,000 which were sold during the year)	**2,564,895**	2,501,334
Depreciation	**36,106**	34,064
Minimum lease payments for operating leases in respect of		
Land and buildings	**19,227**	25,257
Plant and machinery	**258**	266
	19,485	25,523
Staff costs including directors' emoluments and contributions to retirement benefits scheme	**164,683**	155,022

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,641,000 (2011: HK$2,509,000) are included under staff costs.

Profit of HK$19,718,000 (2011: HK$52,405,000) has been dealt with in the financial statements of the Company.

11. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S 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**	**2012 Total HK$'000**
Fees	**–**	**–**	**–**	**147**	**147**	**147**	**441**
Other emoluments							
Salaries and other benefits	**6,213**	**4,044**	**1,912**	**–**	**–**	**–**	**12,169**
Contributions to retirement benefits scheme	**216**	**189**	**–**	**–**	**–**	**–**	**405**
	6,429	**4,233**	**1,912**	**147**	**147**	**147**	**13,015**

	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	2011 Total HK$'000
Fees	–	–	–	135	135	135	405
Other emoluments							
Salaries and other benefits	5,953	3,918	2,012	–	–	–	11,883
Contributions to retirement benefits scheme	204	177	–	–	–	–	381
	6,157	4,095	2,012	135	135	135	12,669

Mr. Pang Tak Chung is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for service rendered by him as the Chief Executive Officer.

No director waived any emoluments for the two years ended 31st December, 2012.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2011: three directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2011: two individuals) are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries and other benefits	**2,943**	3,160
Contributions to retirement benefits scheme	**97**	86
	3,040	3,246

Their emoluments were within the following bands:

	2012 **Number of** **employees**	2011 Number of employees
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	1
	2	2

13. DIVIDEND

	2012 **HK$'000**	2011 HK$'000
Dividends paid:		
2012 Interim – HK1.5 cents (2011: HK1.2 cents) per ordinary share	**8,429**	6,743
2011 Final – HK2.8 cents (2011: 2010 Final – HK2.6 cents) per ordinary share	**15,734**	14,610
	24,163	21,353
Dividend proposed:		
Final dividend proposed for the year – HK2.5 cents (2011: HK2.8 cents) per ordinary share	**14,048**	15,734

The directors recommend the payment of a final dividend of HK2.5 cents per share for the year ended 31st December, 2012 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 shareholders of the Company for the year and 561,922,500 (2011: 561,922,500) number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share for the year ended 31st December, 2012 and 2011 does not assume the exercise of the written put option on shares of a subsidiary as it is anti-dilutive.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	**34,355**
IMPAIRMENT	
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	**(34,355)**
CARRYING AMOUNT	
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	**–**

For the purposes of impairment testing, goodwill is allocated to individual cash-generating unit which is engaged in trading of printing materials and is expected to benefit from that business combination. As at 31st December, 2011 and 2012, the carrying amount of goodwill was attributable to a subsidiary in other operations segment.

16. INVESTMENT PROPERTIES

	2012 **HK$'000**	2011 HK$'000
FAIR VALUE		
At beginning of the year	**3,670**	2,880
Increase in fair value recognised in profit and loss	**–**	790
Transfer to property, plant and equipment	**(3,670)**	–
At end of the year	**–**	3,670

As at 31st December, 2011, the Group's investment properties comprise properties held under medium-term leases located in other regions in the PRC. During the year, the Group has transferred the investment property carried at fair value to owner-occupied property. Accordingly, there is no investment property held by the Group as at 31st December, 2012. The directors considered that the fair value of such investment property at 31st December, 2011 and at the date of transfer were the same.

The fair value of the Group's investment properties as at 31st December, 2011 had 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and 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								
At 1st January, 2011	210,069	27,602	18,890	45,516	355,278	76,263	6,637	740,255
Exchange differences	1,422	102	204	1,099	7,826	2,859	198	13,710
Additions	82	474	2,913	2,451	9,680	59,473	1,076	76,149
Disposals	(277)	–	(1,676)	(13,651)	(2,261)	(41)	–	(17,906)
Written off of impaired assets	–	–	–	–	(18,838)	–	–	(18,838)
Reclassification	7,295	2,371	–	–	100,024	(104,968)	(4,722)	–
At 31st December, 2011	218,591	30,549	20,331	35,415	451,709	33,586	3,189	793,370
Exchange differences	(4)	(1)	–	(1)	(31)	(4)	–	(41)
Additions	41	1,054	980	2,890	4,487	19,134	27	28,613
Disposals	(13,344)	–	(90)	(1,743)	(19,209)	–	–	(34,386)
Reclassification	336	71	159	–	35,459	(35,712)	(313)	–
Transfer from investment property	3,670	–	–	–	–	–	–	3,670
At 31st December, 2012	**209,290**	**31,673**	**21,380**	**36,561**	**472,415**	**17,004**	**2,903**	**791,226**
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2011	141,316	22,134	16,653	30,803	205,260	–	2,638	418,804
Exchange differences	674	62	161	665	3,217	–	–	4,779
Provided for the year	3,754	1,462	1,072	3,858	23,918	–	–	34,064
Impairment loss	–	–	–	–	12,000	–	–	12,000
Eliminated on disposals	(211)	–	(1,551)	(9,352)	(411)	–	–	(11,525)
Eliminated on written off of impaired assets	–	–	–	–	(18,838)	–	–	(18,838)
At 31st December, 2011	145,533	23,658	16,335	25,974	225,146	–	2,638	439,284
Exchange differences	(2)	–	–	(1)	(9)	–	–	(12)
Provided for the year	4,406	1,481	1,532	3,243	25,444	–	–	36,106
Impairment loss	–	–	–	–	5,733	–	–	5,733
Eliminated on disposals	(13,344)	–	(86)	(1,476)	(19,199)	–	–	(34,105)
At 31st December, 2012	**136,593**	**25,139**	**17,781**	**27,740**	**237,115**	**–**	**2,638**	**447,006**
CARRYING VALUES								
At 31st December, 2012	**72,697**	**6,534**	**3,599**	**8,821**	**235,300**	**17,004**	**265**	**344,220**
At 31st December, 2011	73,058	6,891	3,996	9,441	226,563	33,586	551	354,086

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$673,000 (2011: HK$175,000) and HK$nil (2011: HK$4,854,000), respectively, in respect of assets held under finance leases.

The carrying values of plant and machinery and equipment of the Group include an amount of HK$1,157,000 (2011: HK$7,905,000) in respect of assets leased to third party under operating leases.

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

The carrying value of leasehold land and buildings comprises:

	2012 HK$'000	2011 HK$'000
Situated in Hong Kong under medium-term lease	**32,839**	34,921
Situated in other regions in the PRC under medium-term lease	**39,858**	38,137
	72,697	73,058

Note:

For impairment purpose, property, plant and equipment are first considered for impairment individually. If it is not possible to estimate the recoverable amount of the individual property, plant and equipment, the Group determines the recoverable amount of the CGU to which the property, plant and equipment belong. The recoverable amount has been determined based on higher of value in use and fair value less cost to sell.

Plastic products operation

The directors considered there were impairment indicators on the property, plant and equipment used in plastic products operation which is under "Other operations" due to continuous loss incurred, which resulted from the rise in production costs and keen market competition. Accordingly, the directors conducted a review on impairment assessment on the relevant CGU to which the related property, plant and equipment belong.

For the purpose of impairment assessment, the management considers that the recoverable amount of the relevant CGU is determined on the basis of the value in use calculation which is higher than its fair value less costs to sell. The value in use calculations use cash flow projections based on the latest financial budgets approved by the Company's management covering a period of next 5 years representing the remaining useful life of the property, plant and equipment at a discount rate of 14% (2011: 12%) at a zero growth rate. Other key assumptions for the value in use calculation include gross margin and production costs, based on the estimation provided by the management. During the year ended 31st December, 2012, impairment loss of HK$5,733,000 (2011: HK$12,000,000) was recognised in the profit or loss.

As at 31st December, 2012, accumulated impairment loss on property, plant and equipment of the Group was HK$23,490,000 (2011: HK$17,765,000).

18. PREPAID LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise:		
Land use rights in other regions in the PRC under medium-term lease	**17,161**	17,619
Analysed for reporting purposes as:		
Current asset	**483**	455
Non-current asset	**16,678**	17,164
	17,161	17,619

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 HK$'000	2011 HK$'000
Cost of investments (unlisted)	**1,257**	1,257
Share of post-acquisition profits and other comprehensive income	**1,439**	1,538
	2,696	2,795

Particulars of the jointly controlled entities as at 31st December, 2012 and 2011 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 Group's 95% owned subsidiary held 35% of this company.

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

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

	2012 **HK$'000**	2011 HK$'000
Non-current assets	**1,363**	1,239
Current assets	**4,890**	5,258
Current liabilities	**(3,502)**	(3,650)
	2,751	2,847
Income	**3,844**	3,089
Expenses	**(3,943)**	(3,170)
Loss for the year	**(99)**	(81)

20. AVAILABLE-FOR-SALE INVESTMENT

	2012 **HK$'000**	2011 HK$'000
Listed equity securities, at fair value		
– in Hong Kong	**20,800**	–

During the year, the Group entered into a sales and purchase agreement (the "Agreement") with a third party. Pursuant to the Agreement, the Group disposed of its fully impaired unlisted equity security which had been carried at cost less impairment to a third party at a consideration of HK$12,480,000 which was satisfied by certain listed equity securities in Hong Kong. Accordingly, a gain of HK$12,480,000 has been recognised in other gains and losses as set out in note 7.

The listed equity securities are classified as available-for-sale investment measured at fair value upon initial recognition. The fair value of the investment in the listed equity securities in Hong Kong is determined by reference to bid prices quoted in an active market. At the initial recognition date, the fair value of the investment is HK$12,480,000 and subsequently, as at 31st December, 2012, the fair value of the investment is HK$20,800,000 and a fair value gain on available-for-sale investment of HK$8,320,000 has been recognised in other comprehensive income and accumulated in investment revaluation reserve.

21. LONG-TERM RECEIVABLES

	2012 HK$'000	2011 HK$'000
Other loans (Note a)	**2,192**	2,154
Less: allowance for doubtful debts	**(1,528)**	(1,350)
	664	804
Other receivables (Note b)	**–**	1,912
Less: allowance for doubtful debts	**–**	(1,912)
	–	–
Consideration receivables (Note c)	**–**	16,903
	664	17,707
Less: amounts due within one year shown under trade and other receivables	**(435)**	(17,228)
Amounts due after one year	**229**	479

Movement in allowance for doubtful debts:

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	**3,262**	2,962
Impairment losses recognised	**178**	300
Impairment losses reversed	**(210)**	–
Amounts written off during the year	**(1,702)**	–
Balance at end of the year	**1,528**	3,262

21. LONG-TERM RECEIVABLES *(continued)*

Notes:

(a) The amounts are unsecured. Included in other loans, (i) HK$1,350,000 (2011: HK$1,350,000) carries fixed interest rate at 5% (2011: 7%) per annum and repayable within one year. As at 31st December, 2012, allowance for doubtful debt on this balance is HK$1,350,000 (2011: HK$1,350,000); (ii) HK$479,000 (2011: HK$729,000) carries fixed interest rate at 3% (2011: 3%) per annum and repayable by monthly instalments within three years, from the end of the reporting period with last payment by 2014 (2011: by 2014); and (iii) HK$185,000 (2011: HK$75,000) carried fixed interest rate at 1% (2011: 5%) per annum and payable by monthly instalments within one year.

(b) The amounts are unsecured, interest-free which aged over 120 days and are repayable by monthly instalments within one year from the end of the reporting period. As at 31st December, 2011, the amount was fully impaired. During the year, HK$210,000 and HK$1,702,000 were recovered and written off respectively.

(c) The amount represented consideration receivables upon disposal of a subsidiary of the Company in 2010. The effective interest rate adopted for the measurement of fair value upon the initial recognition of the receivables is 5% per annum and the amount is settled during the year ended 31st December, 2012.

The consideration receivables are denominated in Renminbi, currency other than the functional currency of the subsidiary of the Company.

Included in the allowance for doubtful debts are individually impaired other loans and other receivables with an aggregate balance of HK$1,528,000 (2011: HK$3,262,000) 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.

The Group considers any change in the credit quality of the receivable from the date the receivable was initially granted up to the reporting date. Therefore, allowance for doubtful debts has been provided for other loans and other receivables which are past due at the reporting date, the remaining amounts including consideration receivables are not yet due and considered recoverable.

22. DEPOSITS PLACED AT INSURANCE COMPANIES

	2012 HK$'000	2011 HK$'000
Deposits placed at insurance companies and due after one year	**8,877**	8,059

The Group entered into life insurance policies with insurance companies to insure the executive directors and staff. Under the policies, the beneficiary and policy holder are both Company and a subsidiary of the Company and the total insured sum is approximately HK$60,008,000 (2011: HK$60,103,000). The Group is required to pay premium charges at inception of the policies amounting to HK$324,000. The Group can terminate the policies at any time and receive cash back based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment of HK$8,894,000 (2011: HK$8,202,000) plus accumulated interest earned and minus insurance premium charged at inception of HK$324,000 and the accumulated monthly insurance premium expenses charged ("Cash Value"). In addition, if withdrawal is made between the 1st to 15th policy year, there is a specified amount of surrender charge. The insurance companies will pay the Group an interest of 3% per annum on the outstanding Cash Value of the policy.

The effective interest rate on initial recognition was 3%, which was determined by discounting the estimated future cash receipts through the expected life of the respective policies, excluding the financial effect of surrender charge. The carrying amount of deposits placed for life insurance policies as at 31st December, 2012 represented the Cash Value of the insurance policies. As at 31st December 2012, the expected life of the policies was remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policies was insignificant.

The insured sum amounting to HK$49,613,000 (2011: HK$49,706,000) and deposits placed at insurance companies amounting to HK$5,367,000 (2011: HK$5,251,000) are denominated in United States dollars, currency other than the functional currency of the Company and the subsidiary of the Company.

23. 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.

24. PLEDGED BANK DEPOSITS

As at 31st December, 2012, an amount of HK$1,509,000 (2011: HK$1,509,000) is pledged to a bank as retention deposits for a project up to 2014 (2011: up to 2014) and carries fixed interest rate at 4.5% (2011: 4.5%) per annum. Accordingly, such amount is classified as a non-current asset.

In addition, another amount of HK$42,637,000 (2011: HK$864,000) is pledged to a bank to secure bills payables within one year and carries fixed interest rate at 3.1% (2011: 3.3%) per annum. Accordingly, such amount is classified as a current asset.

25. INVENTORIES

	2012 HK$'000	2011 HK$'000
Raw materials	**152,588**	194,818
Work in progress	**31,113**	35,714
Finished goods	**287,254**	344,622
Supplies	**1,939**	2,223
	472,894	577,377

26. 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, which approximated the respective revenue recognition dates as follows:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**254,543**	295,429
31 – 60 days	**173,530**	147,340
61 – 90 days	**60,867**	82,989
91 – 120 days	**30,515**	47,691
More than 120 days	**24,825**	44,280
	544,280	617,729

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.

26. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$213,155,000 (2011: HK$252,942,000) 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. Trade receivables which are neither past due nor impaired are in good quality with no default history in the past.

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

	2012 **HK$'000**	2011 HK$'000
1 – 30 days	**148,107**	145,354
31 – 60 days	**41,680**	56,660
61 – 90 days	**10,883**	20,567
91 – 120 days	**5,543**	11,757
More than 120 days	**6,942**	18,604
Total	**213,155**	252,942

Movement in the allowance for doubtful debts:

	2012 **HK$'000**	2011 HK$'000
Balance at beginning of the year	**29,109**	44,299
Exchange realignment	**16**	440
Impairment losses recognised	**15,130**	10,399
Impairment losses reversed	**–**	(22,676)
Amounts written off during the year	**(906)**	(3,353)
Balance at end of the year	**43,349**	29,109

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$43,349,000 (2011: HK$29,109,000) which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. Based on historical experience, these overdue balances are normally not recoverable. The Group does not hold any collateral over these balances.

Allowance for doubtful debts of HK$nil (2011: HK$22,676,000) was reversed to profit or loss because these impaired trade receivables were recovered during the year.

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.

Trade and other receivables that are denominated in United States dollars and Renminbi, currencies other than the functional currencies of relevant group entities, amounted to HK$31,793,000 (2011: HK$37,362,000) and HK$5,330,000 (2011: HK$22,739,000), respectively.

27. BANK BALANCES AND CASH

The amounts include deposits of HK$102,900,000 (2011: HK$70,909,000) with an original maturity of three months or less which carry fixed interest rates of 0.26% to 1.00% (2011: 0.60% to 1.55%) per annum. The remaining amounts carried at prevailing market interest rates.

Bank balances and cash that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities, amounted to HK$76,512,000 (2011: HK$37,642,000).

28. 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:

	2012 HK$'000	2011 HK$'000
0 – 30 days	**96,227**	51,859
31 – 60 days	**34,401**	21,487
61 – 90 days	**19,310**	10,817
91 – 120 days	**13,781**	9,307
More than 120 days	**22,988**	9,825
	186,707	103,295

Trade payables that are denominated in United States dollars, currency other than the functional currencies of relevant group entities, amounted to HK$31,143,000 (2011: HK$18,764,000).

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

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

30. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Bank loans	**277,768**	321,939
Trust receipt loans	**406,513**	622,839
	684,281	944,778
Analysed as:		
Secured	**34,780**	71,790
Unsecured	**649,501**	872,988
	684,281	944,778

30. BANK BORROWINGS *(continued)*

	2012 HK$'000	2011 HK$'000
Carrying amounts of bank loans repayable on the scheduled repayment dates set out in the loan agreements		
Within one year	**100,393**	82,952
More than one year, but not exceeding two years	**7,813**	7,632
More than two years, but not exceeding five years	**6,449**	14,293
	114,655	104,877
Carrying amounts of bank loans contains a repayable on demand clause (shown under current liabilities)		
Within one year	**554,203**	749,388
More than one year, but not exceeding two years	**12,884**	38,101
More than two years, but not exceeding five years	**2,539**	52,412
	569,626	839,901
	684,281	944,778
Less: amounts due within one year shown under current liabilities	**(670,019)**	(922,853)
Amounts shown under non-current liabilities	**14,262**	21,925

The average effective borrowing rates are ranging from 1.57% to 6.67% (2011: 1.50% to 4.82%) per annum.

30. BANK BORROWINGS *(continued)*

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

Denominated in	Interest rate per annum	2012 HK$'000	2011 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2% (2011: 1% to 2%)	**204,113**	623,459
United States dollars (Note)	London Interbank Offered Rate ("LIBOR") plus 1% to 2.7% (2011: 1.7% to 4.8%)	**243,657**	50,988
	Singapore Interbank Offered Rate ("SIBOR") plus 1.5% (2011: 1.5%)	**15,705**	27,907
Renminbi	5% to 20% mark up from People's Bank of China ("PBOC") lending rate (2011: 10% to 30% mark up from PBOC lending rate)	**186,025**	189,137
	Fixed rate of 6.56% to 7.61% (2011: 5.81% to 8.57%)	**34,781**	53,287
		684,281	944,778

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

31. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Within one year	**248**	481	**228**	472
In the second to fifth year inclusive	**234**	81	**216**	77
	482	562		
Less: future finance charges	**(38)**	(13)		
Present value of lease obligations	**444**	549	**444**	549
Less: amounts due within one year shown under current liabilities			**(228)**	(472)
Amounts due after one year			**216**	77

31. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

Certain of the Group's motor vehicles and plant and machinery and equipment are leased under finance leases. The lease terms are ranging from 1 to 5 years. The obligations under finance leases of HK$444,000 (2011: HK$173,000) carry fixed interest rates from 2.5% to 7.42% (2011: 7.42%) per annum. As at 31st December, 2011, the amount of HK$376,000 carried variable interest rates at HIBOR plus 1.5% per annum. For the year ended 31st December, 2012, the average effective borrowing rates range from 2.1% to 4.8% (2011: 1.8% to 7.3%) per annum. All leases are on a fixed repayment basis.

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

32. OBLIGATION ARISING FROM A PUT OPTION TO NON-CONTROLLING SHAREHOLDERS

On 6th September, 2011, the Company entered into an option deed with the non-controlling shareholders (the "Holders") of Fulwealth Metal Factory Limited ("Fulwealth"), a 77% owned subsidiary of the Group, pursuant to which the Company has granted the put option (the "Put Option") to the Holders exercisable during the period from 6th September, 2012 to 31st December, 2016 (the "Exercise Period"). The Holders have the right to sell to the Company, and require the Company to acquire all of the Holders' remaining equity interest of Fulwealth during the Exercise Period at a cash consideration. The consideration will be calculated by reference to the unaudited consolidated net asset value of Fulwealth attributable to the Holders for the period up to the month immediately preceding the exercise date of the Put Option plus a premium of HK$12,650,000 representing HK$2.75 per option share with maximum aggregate consideration at HK$31,050,000.

At initial recognition, the obligation arising from the Put Option to the Holders represents the present value of the obligation to deliver the share redemption amount at discount rate of 4.5% on 6th September, 2011 amounting to HK$29,841,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests.

In addition, the Put Option which will be settled other than by exchange of fixed amount of cash for a fixed number of shares of a subsidiary is treated as derivative financial instruments and is recognised at fair value in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*. Details are set out in note 33(a).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current:				
Put option derivative (Note a)	**–**	–	**12,395**	11,091
Foreign currency forward contracts derivative (Note b)	**–**	91	**–**	–
	–	91	**12,395**	11,091

Notes:

(a) As details in note 32, as at 31st December, 2012, the fair value of the Put Option of HK$12,395,000 (2011: HK$11,091,000) has been recognised in the consolidated statement of financial position, of which fair value loss of HK$1,304,000 was recognised for the year ended 31st December, 2012 (2011: HK$11,451,000 at initial recognition on 6th September, 2011).

The fair values of the Put Option as at 31st December, 2012 and 31st December, 2011 have been determined by using a Binominal Option Pricing Model with the following assumptions:

Exercise price: Unaudited consolidated net asset value of Fulweath attributable to the Holders for the period up to the month immediately preceding the exercise date plus a premium of HK$2.75 per option share.

	31.12.2012	31.12.2011
Risk-free rate:	0.268%	0.957%
Time to expiration:	4 years	5 years
Volatility:	33.331%	45.218%

Notes:

(i) The risk free rate is the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date.

(ii) Time to expiration represents 64 months from 6th September, 2011.

(iii) Volatility is based on the average of the implied volatility of the daily return of comparable stock.

(b) At 31st December, 2012, the fair value of the Group's foreign currency forward contracts is negligible (2011: financial asset of HK$91,000). The net gain on change in fair value and expiration of the foreign currency forward contracts amounting to HK$344,000 (2011: HK$803,000) 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Notes: *(continued)*

(b) *(continued)*

As at 31st December, 2012

Structured foreign exchange forward contracts

Notional amount at each maturity date	Contract duration	Forward exchange rates
Buy US$500,000 or US$1,000,000	From August 2011 to January 2013 with monthly settlement on notional amount	Buying US$500,000 if market rate below HK$7.8 to US$1 and at or above contract rate of HK$7.728 to US$1 or buying US$1,000,000 if market rate below contract rate of HK$7.728 to US$1
Buy US$500,000 or US$1,000,000	From August 2011 to January 2013 with monthly settlement on notional amount	Buying US$500,000 if market rate below HK$7.8 to US$1 and at or above contract rate of HK$7.727 to US$1 or buying US$1,000,000 if market rate below contract rate of HK$7.727 to US$1
Buy US$500,000 or US$1,000,000	From April 2012 to March 2014 with monthly settlement on notional amount	Buying US$500,000 if market rate below HK$7.8 to US$1 and at or above contract rate of HK$7.728 to US$1 or buying US$1,000,000 if market rate below contract rate of HK$7.728 to US$1

As at 31st December, 2011

Structured foreign exchange forward contracts

Notional amount at each maturity date	Contract duration	Forward exchange rates
Buy US$500,000 or US$1,000,000	From August 2011 to January 2013 with monthly settlement on notional amount	Buying US$500,000 if market rate below HK$7.8 to US$1 and at or above contract rate of HK$7.728 to US$1 or buying US$1,000,000 if market rate below contract rate of HK$7.728 to US$1
Buy US$500,000 or US$1,000,000	From August 2011 to January 2013 with monthly settlement on notional amount	Buying US$500,000 if market rate below HK$7.8 to US$1 and at or above contract rate of HK$7.727 to US$1 or buying US$1,000,000 if market rate below contract rate of HK$7.727 to US$1

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 2012	**1,800,000,000**	**180,000**
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 2012	**561,922,500**	**56,192**

35. SHARE OPTION SCHEME

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

Summary of the Scheme

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

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

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

c. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,192,250 Shares which is 10% of the total issued share capital of the Company as at 31st December, 2012. 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.

35. SHARE OPTION SCHEME *(continued)*

Summary of the Scheme *(continued)*

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

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

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

   (i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;
   (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
   (iii) the nominal value of a Share.

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

No share option has been granted since the adoption of the Scheme.

36. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Withholding tax on retained profits to be distributed HK$'000	Others HK$'000	Total HK$'000
At 1st January, 2011	(15,354)	2,599	(1,400)	501	(13,654)
(Charge) credit to profit or loss	(390)	(530)	(250)	15	(1,155)
At 31st December, 2011	(15,744)	2,069	(1,650)	516	(14,809)
(Charge) credit to profit or loss	(129)	(392)	(730)	34	(1,217)
At 31st December, 2012	**(15,873)**	**1,677**	**(2,380)**	**550**	**(16,026)**

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.

36. DEFERRED TAXATION *(continued)*

At the end of the reporting period, the Group has unused tax losses of HK$459,548,000 (2011: HK$516,902,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$10,163,000 (2011: HK$12,539,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$449,385,000 (2011: HK$504,363,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$4,905,000 (2011: HK$4,533,000) which will expire in the following years ending 31st December:

	2012 **HK$'000**	2011 HK$'000
2012	**–**	205
2013	**1,324**	1,324
2014	**26**	743
2015	**–**	–
2016	**1,801**	2,261
2017	**1,754**	–
	4,905	4,533

The remaining unused tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of HK$39,425,000 (2011: HK$30,028,000) in respect of accelerated accounting depreciation, impairment losses on property, plant and equipment and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK$3,333,000 (2011: HK$3,127,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$36,092,000 (2011: HK$26,901,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. 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 retention deposits:

	2012 **HK$'000**	2011 HK$'000
Buildings and prepaid lease payments	**17,888**	18,803
Plant and machinery and equipment	**65,548**	57,169
Bank deposits	**44,146**	2,373
	127,582	78,345

38. 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:

	2012 **HK$'000**	2011 HK$'000
Land and buildings:		
Within one year	**16,632**	16,668
In the second to fifth year inclusive	**41,623**	38,468
After five years	**96,091**	106,659
	154,346	161,795

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 and equipment are negotiated for terms ranging from one to twenty years.

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 follow:

	2012 **HK$'000**	2011 HK$'000
Plant and machinery and equipment:		
Within one year	**720**	720
In the second to fifth year inclusive	**1,080**	1,800
	1,800	2,520

All of the plant and machinery and equipment held have committed tenants for three years (2011: four years).

39. CAPITAL COMMITMENTS

	2012 **HK$'000**	2011 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**8,985**	20,310
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	**339**	50

40. 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 (HK$1,250 with effective from 1st June, 2012) 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$10,006,000 (2011: HK$8,603,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$48,000 (2011: HK$54,000).

41. RELATED PARTY TRANSACTIONS

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

	Trade purchases		**Rental charges**	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
A jointly controlled entity	**884**	1,227	**–**	–
Non-controlling interests with significant influence over certain subsidiaries	**–**	–	**–**	918

Compensation of key management personnel

During the year, the Group's remuneration paid to the directors, the key management personnel of the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Short-term employee benefits	**12,610**	12,288
Post-employment benefits	**405**	381
	13,015	12,669

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

42. 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 bank borrowings disclosed in note 30, net of cash and cash equivalents, and equity attributable to shareholders of the Company, comprising issued share capital, share premium, 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.

43. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**985,853**	1,018,240
Available-for-sale investment	**20,800**	–
Derivative financial instruments	**–**	91
Financial liabilities		
At amortised cost	**986,419**	1,154,514
Derivative financial instruments	**12,395**	11,091
Obligation arising from a put option to non-controlling shareholders	**31,050**	29,841

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, long-term receivables, deposits placed at insurance companies, trade and other receivables, bank deposits and balances, amounts due from jointly controlled entities, trade and other payables, obligation arising from a put option to non-controlling shareholders, derivative financial instruments, borrowings and amounts due to non-controlling 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, interest rate risk and other price 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.

43. FINANCIAL INSTRUMENTS *(continued)*

(c) Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. The Group also has 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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong dollars	**961**	475	**22,008**	29,403
United States dollars	**101,973**	52,029	**290,520**	99,963
Renminbi	**21,566**	55,361	**5,304**	2,683
Others	**2,103**	2,807	**875**	1,108

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.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase in the functional currencies of the relevant group entities against the foreign currencies. 5% (2011: 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% (2011: 5%) change in foreign currency rates. A negative number indicates a decrease in profit before taxation where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% (2011: 5%) weakening of the functional currencies of the relevant group entities, there would be an equal and opposite impact on the profit before tax.

	Profit (loss) before tax	
	2012 HK$'000	2011 HK$'000
Foreign currencies		
Hong Kong dollars	**1,052**	1,446
United States dollars	**76**	474
Renminbi	**(813)**	(2,634)
Others	**(61)**	(85)

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.

43. FINANCIAL INSTRUMENTS *(continued)*

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

(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 dollars is limited as Hong Kong dollars is pegged to United States dollars.

(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 21) and fixed-rate bank borrowings and obligations under finance leases (notes 30 and 31). 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 variable-rate bank borrowings and the variable-rate obligations under finance leases which was fully repaid during the year (notes 30 and 31 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, SIBOR and PBOC arising from the Group's borrowings denominated in Hong Kong dollars, United States dollars and Renminbi.

In addition, the management considers the interest rate risk in relation to the Group's put option derivative is minimal, accordingly, no sensitivity analysis is presented.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for 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 (2011: 50) basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2011: 50) basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31st December, 2012 would decrease/increase by HK$3,248,000 (2011: HK$4,459,000).

43. FINANCIAL INSTRUMENTS *(continued)*

(e) Price risk management

The Group is exposed to equity price risk through its available-for-sale investment. The Group's equity price risk is mainly concentrated on equity instrument quoted in the Stock Exchange. The management manages the exposure to price risk by maintaining quality investment.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

At 31st December, 2012, if the price of the available-for-sale investment had been 10% higher/lower, the investment revaluation reserve of the Group would increase/decrease by HK$2,080,000 as a result of the changes in fair value of available-for-sale investment.

Other price risk management

The Group's fair value exposure to its put option derivative is in relation to the changes in a discounted cash flow for a subsidiary's market value calculation. The management considers the exposure of other price risk for its put option derivative is not significant. Accordingly, no sensitivity analysis is presented.

(f) Credit risk management

At the end of the reporting period, 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 receivable 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 large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

(g) 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.

At the end of the reporting period, the Group has available unutilised short and long-term bank loan facilities of approximately HK$1,099,109,000 and HK$48,815,000 (2011: HK$870,399,000 and HK$18,691,000) respectively.

43. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

The following table details the Group's remaining contractual maturity for its 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. 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.

In addition, the following table details the Group's liquidity analysis of its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflow) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'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 31.12.2012 HK$'000
2012								
Non-derivative instruments								
Trade and other payables	–	275,758	–	–	–	–	275,758	275,758
Bank borrowings								
– Fixed interest rate	6.73	34,908	–	–	–	–	34,908	34,781
– Variable interest rate	3.94	618,085	18,488	8,048	6,512	–	651,133	649,500
Amounts due to non-controlling shareholders	–	26,380	–	–	–	–	26,380	26,380
Obligations under finance leases								
– Fixed interest rate	5.52	69	179	98	63	73	482	444
		955,200	18,667	8,146	6,575	73	988,661	986,863
Put option derivative	–	12,395	–	–	–	–	12,395	12,395
Obligation arising from a put option to non-controlling shareholders	–	31,050	–	–	–	–	31,050	31,050

43. FINANCIAL INSTRUMENTS *(continued)*

(g) Liquidity risk management *(continued)*

	Weighted average interest rate %	On demand or less than 3 months HK$'000	4 – 12 months HK$'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 31.12.2011 HK$'000
2011								
Non-derivative instruments								
Trade and other payables	–	180,577	–	–	–	–	180,577	180,577
Bank borrowings								
– Fixed interest rate	6.48	53,824	–	–	–	–	53,824	53,287
– Variable interest rate	3.69	866,858	4,024	8,048	8,048	6,553	893,531	891,491
Amounts due to non-controlling shareholders	–	29,159	–	–	–	–	29,159	29,159
Obligations under finance leases								
– Fixed interest rate	5.30	26	77	81	–	–	184	173
– Variable interest rate	1.78	378	–	–	–	–	378	376
		1,130,822	4,101	8,129	8,048	6,553	1,157,653	1,155,063
Put option derivative	–	–	11,091	–	–	–	11,091	11,091
Obligation arising from a put option to non-controlling shareholders	–	–	29,841	–	–	–	29,841	29,841

Bank loans with a repayment on demand clause are included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31st December, 2012, the aggregate carrying amounts of these bank loans amounted to HK$569,626,000 (2011: HK$839,901,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within five years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. During that period, the aggregate principal and interest cash outflows will amount to HK$575,685,000 (2011: HK$863,548,000).

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments						
	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 outflows** HK$'000
31st December, 2012	**293,601**	**231,869**	**34,633**	**13,038**	**2,544**	**–**	**575,685**
31st December, 2011	415,655	309,647	35,517	43,936	16,728	42,065	863,548

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

43. FINANCIAL INSTRUMENTS *(continued)*

(h) Fair value of financial instruments

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

The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market price.

The foreign currency forward contract derivative instruments is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair value of put option derivative is calculated using option pricing model.

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.

(i) 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).

	2012			2011		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets						
Listed equity securities	**20,800**	**–**	**–**	–	–	–
Obligation arising from a put option to a non-controlling shareholders	**–**	**–**	**(31,050)**	–	–	(29,841)
Derivative financial assets (liabilities)						
Foreign currency forward contracts derivative assets	**–**	**–**	**–**	–	91	–
Put option derivative	**–**	**–**	**(12,395)**	–	–	(11,091)

A reconciliation from the beginning to the ending balance of the put option derivative is detailed in note 33(a). Of the total gain or losses for the year included in profit or loss, fair value loss of HK$1,304,000 related to the put option derivative held at the end of the reporting period (2011: HK$11,091,000). Such fair value loss on the put option derivative is included in "other gains and losses" as set out in note 7.

44. MAJOR NON-CASH TRANSACTIONS

During the year, the Group disposed its fully impaired unlisted equity security which had been carried at cost less impairment to a third party at a consideration of HK$12,480,000 which was satisfied by certain listed equity securities in Hong Kong. Details about the disposal are set out in note 20.

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
				2012	2011	
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	**100%**	100%	Property holding
China Rope Holdings Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$18,162,854 Non-voting deferred shares	**100%**	100%	Investment holding
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares **	**95%**	95%	Investment holding and sales of printing materials, spare parts and machines
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 metal products
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	**100%**	100%	Investment holding and operating concrete batching plants
Golik Concrete (HK) Limited	Incorporated	Hong Kong	HK$2,000,000 Ordinary shares	**100%**	100%	Sales of ready mixed concrete
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 and plastic materials
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

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

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group		Principal activities
				2012	2011	
Golik Properties Limited *	Incorporated	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
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
Jiangmen Golik Metal Manufacturing Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$15,500,000 Registered capital	**100%**	100%	Manufacturing and sales of metal products
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	**53.5%**	53.5%	Manufacturing and sales of PVC plastic products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	**80%**	80%	Manufacturing and sales of construction materials
Tianjin Goldsun Wire Rope Ltd.	Equity joint venture	PRC	RMB60,000,000 Registered capital	**70.5%**	70.5%	Manufacturing and sales of steel wire ropes for elevators
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$3,380,000 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.

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.

46. SUMMARISED CONDENSED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES		
Investments in subsidiaries	**266,361**	266,361
Amounts due from subsidiaries	**406,642**	402,349
Other assets	**15,279**	14,127
Amounts due to subsidiaries	**(113,093)**	(103,994)
Other liabilities	**(23,996)**	(23,205)
	551,193	555,638
CAPITAL AND RESERVES		
Share capital	**56,192**	56,192
Reserves	**495,001**	499,446
	551,193	555,638

MOVEMENT OF RESERVES

	Share premium HK$'000	**Contributed surplus** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1st January, 2011	316,466	65,891	86,037	468,394
Profit for the year	–	–	52,405	52,405
Dividend paid	–	–	(21,353)	(21,353)
At 31st December, 2011	316,466	65,891	117,089	499,446
Profit for the year	–	–	19,718	19,718
Dividend paid	–	–	(24,163)	(24,163)
At 31st December, 2012	**316,466**	**65,891**	**112,644**	**495,001**