



GOLIK

HOLDINGS

LIMITED

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Corporate Information

Executive Directors

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

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

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

Qualified Accountant

Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA CPA MCMI

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Bankers

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

Hong Kong Branch Share Registrar and Transfer Office

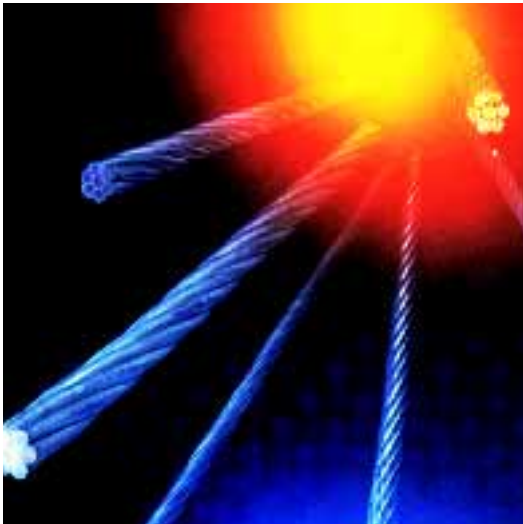
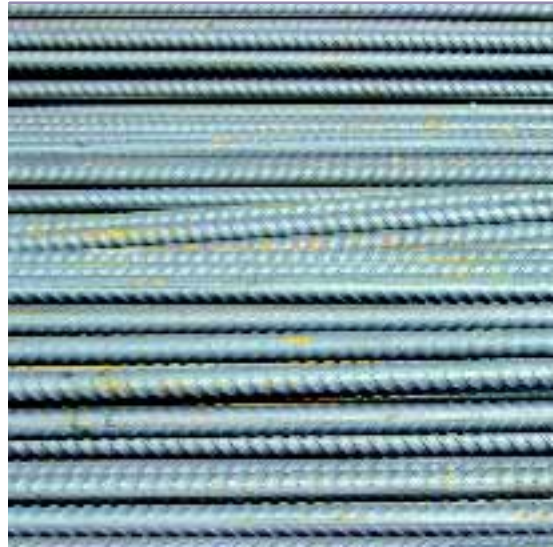
Secretaries Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Business Profile

Steel Decoiling Factory in Dongguan, Guangdong



Steel Re-bars



Wire Ropes and Pre-Stressed Strands



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

Chairman's Statement



I would like to present the annual results of Golik Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31st December, 2005.

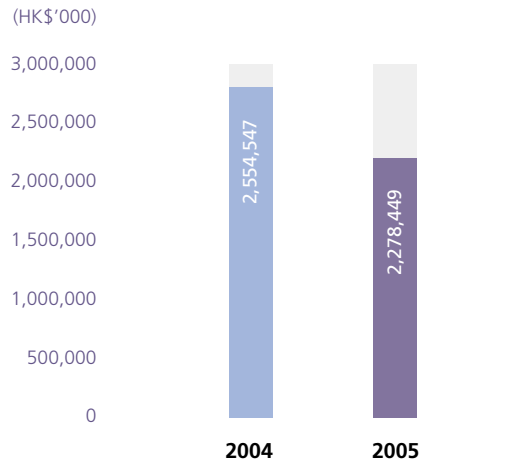
BUSINESS REVIEW

For the year ended 31st December, 2005, the Group achieved an annual turnover of HK\$2,278,449,000, an 11% decrease compared to last year. The main reasons for the decline are due to the reduction in the operation of the Steel Re-bars Distribution business and also the deteriorating market price in steel products. During the year, the Group returned to a profitable result from the previous financial year loss. After deduction of minority interests, the profit after taxation is HK\$32,399,000.

Throughout this time, certain unfavorable factors still continued to exist. They included the volatility of steel prices, the continuing sluggish state of the Hong Kong construction sector, increases in interest rate and so forth. During the year, the Group engaged in a more conservative business strategy so as to further strengthen its core businesses. This included allocation of more resources to increase the productivity of high growth potential businesses, consolidating the Group's core businesses through divestment of some non core operations and assets to minimize the debt level, rearranging internal resources to enable the early retirement of the HK\$120 million syndicated bank loan in the year, this will minimize the amount of interest in the coming year and make the Group more financially stable.

Chairman's Statement

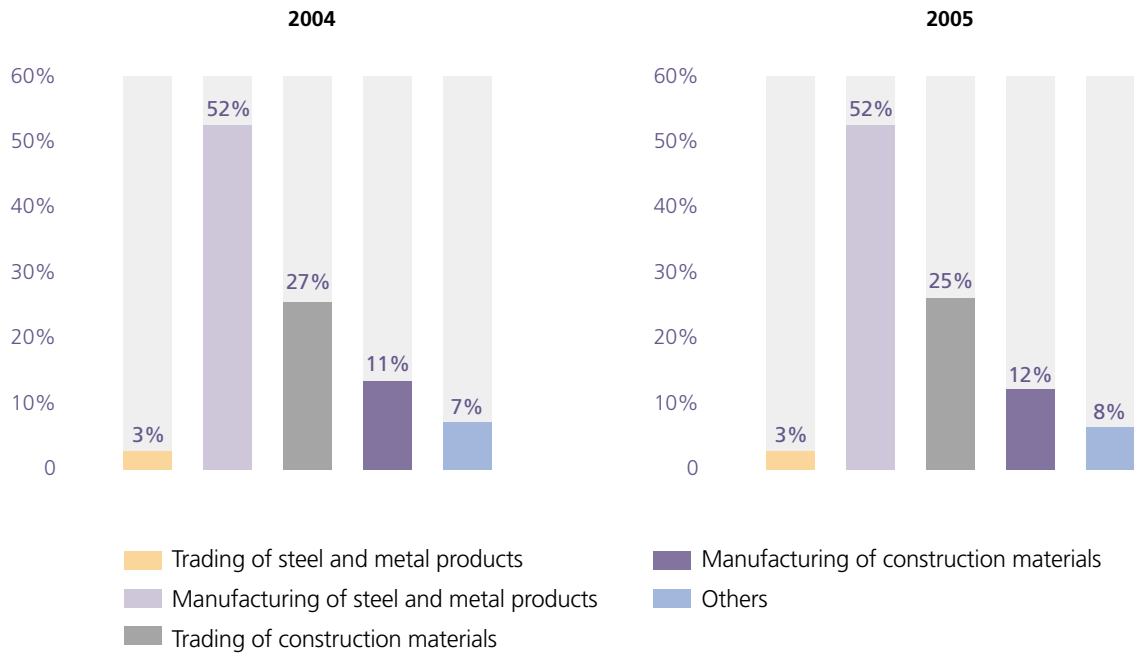
Turnover for the years ended 31st December, 2004 and 2005



Profit (loss) for the years ended 31st December, 2004 and 2005



Turnover by products in 2004 and 2005



Chairman's Statement

Steel and Metal Products

1. *Steel Coil Processing*

The two Steel Decoiling factories located in Taipo Industrial Estate, Hong Kong and Dongguan, Guangdong mainly supplies steel coil material to the nearby stationaries and electrical appliances manufacturers. During the year, the export order for metal products manufacturing business was not satisfactory. The competition within the Steel Decoiling business sector increased and the marginal profit declined. This was more evident in the second half year where steel coil prices declined significantly thus further affecting the Steel Coil business result compared to the prior year. Even so, with enormous effort contributed by the management team, the profit return generated is still a pleasing result.

Over the prior two years, the price of the steel coil products continued to rise to a comparatively high level because of strong demand. However, the substantial decline in the second half year 2005 affected significantly the return for the industry during the year but in the long term it would help the Steel Coil business to grow and develop more healthily. The Group retains an optimistic outlook for the future prospects of the Steel Decoiling business.

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

The overall result for the wire processing operations during the year was satisfactory.

The Pre-stressed Steel Strand factory located in Tianjin performed variably throughout the year. In the first half year, it achieved stellar result because of strong demand of the infrastructure needs in the People's Republic of China ("PRC"). However, in the second half year, due to huge price decline in various steel products, the overall outcome was not so satisfactory. The outlook for this Pre-stressed Steel Strand business remains positive by merit of the large amount of railway infrastructure and road construction still remaining in the pipeline. With the current positive economic outlook, most competitors within the industry will continue to expand their own production capacities, leading to over supply in the short term. To achieve a stable profit return, the operation will need to focus

on internal cost control and further improvement towards achieving a more sound management.

The Steel Wire and Steel Wire Rope factory located in Heshan, Guangdong has carried out a series of upgrades and modifications on its wire drawing machinery. Both productivity and quality have been improved making Heshan one of the higher quality steel wire manufacturer in the Guangdong area.

The Elevator Steel Wire Rope factory located in Tianjin has completed its joint venture merging with the U.K. Steel Wire Rope manufacturer "Bridon". It now operates as "Bridon Tianjin Rope Ltd.". During the year, this operation experienced a pleasing growth in its business as a result of the joint venture company.

Construction Materials

1. *Steel Re-bars Stockholding and Distribution*

The Group has recalibrated its operating strategy including improving risk management and reducing scale of this operation. The annual turnover has decreased by approximate 30% compared to last year, but the operation has recovered from its previous year loss to return to a profitable and very satisfactory result.

Currently the steel price is more stable than last year but still experiencing a degree of fluctuation. The Group will continue to operate the business using a conservative approach for the immediate future. Meanwhile, the Group will continue its exploration and development of value-added business for steel products in the construction sector.

2. *Ready Mixed Concrete Products*

The concrete operation has improved this year and our target of achieving a minimum of breakeven during the year has been successful.

The Group's concrete plants located in Hong Kong and Guangzhou have excellent location advantages. Recent success in being awarded the right of use of a seaport in Tung Chung, Hong Kong will make logistic convenient in transporting raw materials for production of concrete and thus enhance cost reduction measures. The Group is confident that the concrete business will improve further and generate more profit in the coming year.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2005, the Group's cash and bank balance reached HK\$148,449,000. As at 31st December, 2005, current ratio (current assets to current liabilities) for the Group was 1.27:1.

As at 31st December, 2005, borrowings for the Group was approximately HK\$522,156,000.

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, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2005, consolidated equity attributable to equity holders of the Company reached HK\$425,785,000.

As at 31st December, 2005, net gearing ratio (borrowings minus cash and bank balances to total equity) was 0.71:1.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2005, the total number of staff of the Group was 1,076. The Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

PROSPECTS

The Group believes, the PRC will continue to devote enormous resources and investments to infrastructure construction over the next few years. The PRC will become more and more important in the world's international manufacturing industries and solidify its already well recognized position as the 'world's factory'. Because of the above factors, our core operations in the PRC will continue to provide many opportunities for the Group to develop and grow.

Construction in Hong Kong continues to decline from its peak in 1997 and has remained at low level over the past few years. As the revenue for the HKSAR Government has continued to improve over in recent years, the Chief Executive of the HKSAR has announced a number of large infrastructure initiatives. The private property market is also improving, due to the Government's release of more land for development. In the short-term, both public and private construction projects will increase and the Group's well positioned construction material businesses in Hong Kong will benefit.

In the year ahead, the goal for the Group is to continue to strengthen its "Four Core Businesses" and I expect these "Four Core Businesses" would firmly develop and stabilize their financial returns to the Group. The challenge ahead is still great, but the Group holds a confident and positive view of its future.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my deepest gratitude and sincere thanks to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers and business associates for their continuous support to the Group. As the market starts to show positive signs of revival, I am looking forward to placing the Group on the path to further growth bringing fruitful returns to shareholders in the coming financial year.

Pang Tak Chung

Chairman

Hong Kong, 12th April, 2006

Directors of the Group

Mr. Pang Tak Chung, aged 57, is the chairman of the Group and founder of Golik Metal Industrial Company Limited ("Golik Metal"). Mr. Pang is responsible for strategic planning, overall management and corporate development of the Group. He has over 30 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 50, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants, a member of the Chartered Management Institute in the United Kingdom, a full member of the Hong Kong Computer Society and a founder and honorable president of the IT Accountants Association. He has over 25 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined the Group in 1996.

Mr. John Cyril Fletcher, aged 61, was appointed as executive director of the Company and the managing director of the Concrete Division of the Group on 5th January, 2004. Mr. Fletcher is responsible for running the manufacturing operations, marketing strategy planning and overall management of the Concrete Division of the Group. He is a qualified engineer and a registered Chartered Practising Engineer (CPE), a member of Institute of Engineers Australia and a fellow member of Institute of Production Engineers in London. Educated in Western Australia, he has worked in various management positions in Hong Kong, the PRC, Malaysia and Australia. He has extensive hands on experience at both operational and executive level in engineering, factory management, sale and marketing and general management. Mr. Fletcher has resided in Hong Kong for more than 21 years.

Mr. Robert Keith Davies, aged 49, is a non-executive director of the Company who was re-designated from executive director of the Company with effect from 1st March, 2004. Educated in England, Mr. Davies has engineering background with working experience in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trade and structured finance, trading practices, management of manufacturing plants and negotiation procedures, more recently he assists the Group in its international M&A activities with international partners wishing to manufacture in the PRC. Mr. Davies has resided in Hong Kong for more than 20 years and joined Golik Metal in 1991.

Mr. Yu Kwok Kan, Stephen, aged 50, was appointed as an independent non-executive director of the Company on 23rd July, 1997. Mr. Yu is a partner of J.K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 25 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Mr. Chan Yat Yan, aged 50, MBA from the University of East Asia, Macau, is the Managing Director of Uniplan (Beijing) Co., Ltd. Mr. Chan is a senior executive with over 17 years of corporate management, strategic business development and marketing experience in the PRC for various multi-national corporations, including leading Fortune 500 such as BBDO of Omnicom Group, H.J. Heinz, Time Warner as well as the World Gold Council. He has intensive knowledge and experience in the PRC market.

Mr. Lo Yip Tong, aged 48, is the proprietor of Y.T. Lo & Co., certified public accountants. Mr. Lo has over 20 years of experience in statistical, accountancy, audit and financial re-arrangement work. He is currently a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants and a Certified Public Accountants (Practising) of Hong Kong. He is also a nominee approved by the Court for voluntary arrangement.

Corporate Governance Report

The Group is committed to ensuring high standards of corporate governance practices as set out in the Code of Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") which became effective on 1st January, 2005. The Company has complied with the code provisions (with the exception of Code Provision A.2.1 on separate role of chairman and chief executive officer; A.4.1 on specific term of non-executive directors) as set out in the CG Code throughout the year ended 31st December, 2005. Explanations for such non-compliance are provided and discussed below.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted a code of conduct regarding securities transaction by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules ("Model Code"). All Directors had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company for the year ended 31st December, 2005.

BOARD OF DIRECTORS

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

The Board members for the year ended 31st December, 2005 were:-

Executive Directors

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

Non-Executive Director

Mr. Robert Keith Davies

Independent Non-Executive Directors

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

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

The Directors acknowledged their responsibilities for the preparation of the financial statements of the Group.

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

TERMS OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of Appendix 14 to the Listing Rules requires that non-executive directors should be appointed for a specific term and should be subject to re-election.

The non-executive directors have no set term of office. The Board will propose to amend the Company's Bye-laws at the 2006 Annual General Meeting whereby every Director shall be subject to retirement by rotation at least once every three years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Corporate Governance Report

BOARD MEETINGS

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

The Company Secretary assists the Chairman in preparing the agenda for meeting and ensures that all applicable rules and regulations are followed. He also keeps detailed minutes of each meeting, which are available to all directors. A draft of the minutes is circulated to all directors for comment and approval as soon as practicable after the 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 service of the Company Secretary, who is responsible for providing directors with board papers and related materials and ensuring that board procedure are followed.

AUDIT COMMITTEE

The Group established its Audit Committee on 5th January, 1999. The Audit Committee comprises Mr. Yu Kwok Kan, Stephen, Mr. Chan Yat Yan and Mr. Lo Yip Tong who are all independent non-executive directors of the Company. The Audit Committee is chaired by Mr. Yu Kwok Kan, Stephen. The Audit Committee shall meet at least twice a year.

The Audit Committee has adopted terms of reference which are in line with the CG Code. The Audit Committee met two times during the year to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system, the scope and nature of the external audit and matters concerning the engagement of external auditors. The Group's financial statements for the year ended 31st December, 2005 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

ATTENDANCE RECORDS AT THE MEETINGS OF THE BOARD HELD FOR THE YEAR ENDED 31ST DECEMBER, 2005 ARE AS FOLLOWS:

Number of Board Meetings:	4
Number of Audit Committee Meetings:	2

Name and Designation	Board Meetings Attendance	Audit Committee Meetings Attendance
Executive Directors		
Mr. Pang Tak Chung (<i>Chairman</i>)	4/4	N/A
Mr. Ho Wai Yu, Sammy (<i>Vice Chairman</i>)	4/4	N/A
Mr. John Cyril Fletcher	4/4	N/A
Non-Executive Director		
Mr. Robert Keith Davies	4/4	N/A
Independent Non-Executive Directors		
Mr. Yu Kwok Kan, Stephen	4/4	2/2
Mr. Chan Yat Yan	3/4	1/2
Mr. Lo Yip Tong	4/4	2/2

N/A: Not Applicable

REMUNERATION COMMITTEE

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

Corporate Governance Report

INTERNAL CONTROLS

The board has overall responsibility for maintaining sound and effective internal controls to safeguard the Group's assets and shareholders' interests. The board conducts regular reviews of the Group's internal control system.

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

NOMINATION OF DIRECTORS

The Board is empowered under the Company's articles of association 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.

AUDITORS' REMUNERATION

During the year ended 31st December, 2005, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors of the Company were as follows:

Nature of services	Amount (HK\$'000)
Review fee for 2005 interim results	300
Audit fee for 2005 final results	2,712
Audit service fee for Occupational Retirement Schemes	6
Total audit services	3,018

SHAREHOLDER RELATIONS

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

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

Our corporate website which contains corporate information, interim and annual reports issued by the Group as well as recent developments of the Group enable shareholders to have timely and updated information of the Group.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2005.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 46, 20 and 22 to the consolidated financial statements, respectively.

During the year, the Group entered into a subscription and shareholders' agreement in relation to the subscription of 30% interest in China Rope Holdings Limited ("China Rope").

At the same time, the Group disposed of its entire 51% equity interest in a subsidiary, Bridon Tianjin Rope Ltd. (formerly known as Tianjin Golik – No. 1 Steel Wire Rope Co., Limited) to China Rope.

In addition, the Group disposed of its entire 67.5% equity interest in Luenik Construction Material Company Limited during the year. Details are set out in note 37 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2005 are set out in the consolidated income statement on page 18.

No interim dividend was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 2 HK cents per share to the shareholders on the register of members of the Company on 19th May, 2006, amounting to HK\$11,347,000, and the retention of the remaining profit for the year.

INVESTMENT PROPERTIES

During the year, the Group disposed of certain investment properties with aggregate carrying values of approximately HK\$11 million.

Details of these and other movements during the year in the investment properties of the Group are set out in note 17 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\$17 million. In addition, property, plant and equipment with net book values of approximately HK\$21 million were disposed of during the year of which HK\$2 million were through the disposal of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 34 and 35 to the consolidated financial statements respectively.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2005 were as follows:

	2005 HK\$'000	2004 HK\$'000
Contributed surplus	65,891	65,891
Retained profits	68,627	36,277
	134,518	102,168

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

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

Executive directors

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

Non-executive director

Mr. Robert Keith Davies

Independent non-executive directors

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

In accordance with Clauses 86(2) and 87 of the Company's Bye-Laws, Messrs. Ho Wai Yu, Sammy and John Cyril Fletcher retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2005, the interests of the directors and chief executive of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follow:

**(1) Long position
Shares of the Company**

Name of directors	Number of ordinary shares held			Percentage of issued shares
	Personal interest	Held by controlled corporation	Total	
Mr. Pang Tak Chung (Note)	116,144,708	195,646,500	311,791,208	54.95%
Mr. Ho Wai Yu, Sammy	2,000	–	2,000	0.00%
Mr. Robert Keith Davies	21,104,292	–	21,104,292	3.72%

Note:

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

Share options

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

No share option was outstanding as at 1st January, 2005 and 31st December, 2005.

(2) Shares in subsidiaries

At 31st December, 2005, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited held by himself and held by a controlled corporation, World Producer Limited, respectively. World Producer Limited is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, as at 31st December, 2005, none of the directors and chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2005, so far as known to any director of the Company, the following person, had interests in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Long position in shares of the Company

Name	Number of ordinary shares held	Percentage of issued shares
GIL	195,646,500	34.48%
Pang Tak Chung (Note)	311,791,208	54.95%

Note: Including 195,646,500 shares (approximately 34.48%) held through a controlled corporation, GIL and 116,144,708 shares (approximately 20.47%) held by himself.

Save as disclosed above, the directors are not aware of any other person who, as at 31st December, 2005, had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

MAJOR CUSTOMERS AND SUPPLIERS

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

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 40% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 16% of the Group's total purchases.

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Directors' Report

EMOLUMENT POLICY

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

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is 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 the amount of public float as required under the Listing Rules.

AUDITORS

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

On behalf of the Board

Pang Tak Chung

Chairman

12th April, 2006

Auditors' Report

Deloitte.

德勤

TO THE MEMBERS OF GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Golik Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 18 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our 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, 2005 and of the profit and cash flows of the Group for the year then ended 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

12th April, 2006

Consolidated Income Statement

For the year ended 31st December, 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
Turnover	6	2,278,449	2,554,547
Cost of sales		(2,004,502)	(2,321,589)
Gross profit		273,947	232,958
Other income	7	28,310	40,600
Interest income		1,889	3,386
Selling and distribution costs		(70,286)	(83,839)
Administrative expenses		(125,777)	(150,258)
Other expenses		(4,578)	(9,005)
Amortisation of goodwill		–	(4,473)
Release of negative goodwill		–	1,005
Decrease in fair value on investment properties		(970)	(5,930)
Revaluation decrease on property, plant and equipment		–	(13,249)
Impairment loss on goodwill		(10,184)	(10,610)
Finance costs	8	(31,066)	(27,079)
Gain (loss) on disposal of subsidiaries		2,406	(313)
Share of results of jointly controlled entities		60	190
Share of results of associates		1,218	–
Profit (loss) before taxation		64,969	(26,617)
Income taxes	9	(8,351)	(3,708)
Profit (loss) for the year	10	56,618	(30,325)
Attributable to:			
Equity holders of the Company		32,399	(60,713)
Minority interests		24,219	30,388
		56,618	(30,325)
Dividend proposed of 2 HK cents (2004: nil) per share	13	11,347	–
		HK cents	HK cents
Earnings (loss) per share	14		
Basic		5.71	(10.70)

Consolidated Balance Sheet

At 31st December, 2005

	Notes	2005 HK\$'000	2004 HK\$'000 (restated)
Non-current Assets			
Goodwill	15	13,494	23,678
Negative goodwill	16	–	(18,276)
Investment properties	17	26,400	38,630
Property, plant and equipment	18	267,135	305,375
Prepaid lease payments	19	48,987	54,556
Interests in jointly controlled entities	20	1,359	1,299
Amount due from a jointly controlled entity	21	–	1,500
Interests in associates	22	5,253	–
Long-term receivables	23	823	804
Rental and other deposits		830	3,778
		364,281	411,344
Current Assets			
Inventories	24	309,368	304,388
Trade and other receivables	25	424,840	489,239
Amounts due from jointly controlled entities	21	6,914	5,322
Amount due from an associate	26	682	–
Prepaid lease payments	19	1,192	1,375
Income tax recoverable		148	179
Derivative financial instruments	27	4	–
Pledged bank deposits	28	23,604	16,980
Bank balances and cash	29	124,845	92,673
		891,597	910,156
Current Liabilities			
Trade and other payables	30	188,488	184,325
Amounts due to minority shareholders	31	4,091	7,580
Income tax payable		812	6,988
Bank borrowings	32	503,834	568,506
Obligations under finance leases	33	4,942	5,553
		702,167	772,952
Net Current Assets		189,430	137,204
		553,711	548,548

Consolidated Balance Sheet

At 31st December, 2005

	<i>Notes</i>	2005 HK\$'000	2004 HK\$'000 (restated)
Capital and Reserves			
Share capital	34	56,736	56,736
Share premium and reserves		369,049	319,960
Equity attributable to equity holders of the Company		425,785	376,696
Minority interests		102,833	107,024
Total Equity		528,618	483,720
Non-current Liabilities			
Deferred tax liabilities	36	11,713	11,666
Bank borrowings	32	8,768	48,235
Obligations under finance leases	33	4,612	4,927
		25,093	64,828
		553,711	548,548

The financial statements on pages 18 to 75 were approved and authorised for issue by the Board of Directors on 12th April, 2006 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, 2005

	Attributable to equity holders of the Company									
	Share capital	Share premium	Property revaluation reserve	Goodwill reserve	Exchange reserve	Revenue reserve	Retained profits (deficit)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000 (note 1)	HK\$'000	HK\$'000	HK\$'000 (note 2)	HK\$'000 (note 3)	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2004	56,736	318,118	19,367	(170,294)	(229)	-	200,997	424,695	104,769	529,464
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong	-	-	-	-	636	-	-	636	182	818
Revaluation surplus on properties (as restated)	-	-	23,902	-	-	-	-	23,902	-	23,902
Deferred tax liabilities arising on revaluation of properties (as restated)	-	-	(4,336)	-	-	-	-	(4,336)	-	(4,336)
Profit recognised directly in equity	-	-	19,566	-	636	-	-	20,202	182	20,384
Realised to income statement on disposal of interests in subsidiaries	-	-	-	1,279	(257)	-	-	1,022	-	1,022
(Loss) profit for the year	-	-	-	-	-	-	(60,713)	(60,713)	30,388	(30,325)
Total recognised (loss) profit for the year	-	-	19,566	1,279	379	-	(60,713)	(39,489)	30,570	(8,919)
Dividend paid	-	-	-	-	-	-	(8,510)	(8,510)	-	(8,510)
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(11,500)	(11,500)
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	2,600	2,600
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(10,730)	(10,730)
Acquisition of further interests in subsidiaries	-	-	-	-	-	-	-	-	(8,685)	(8,685)
At 31st December, 2004 (as restated)	56,736	318,118	38,933	(169,015)	150	-	131,774	376,696	107,024	483,720

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2005

	Attributable to equity holders of the Company									
	Share capital	Share premium	Property revaluation reserve	Goodwill reserve	Exchange reserve	Revenue reserve	Retained profits (deficit)	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000 (note 1)	HK\$'000	HK\$'000	HK\$'000 (note 2)	HK\$'000 (note 3)	HK\$'000	HK\$'000	HK\$'000
At 31st December, 2004	56,736	318,118	38,933	(169,015)	150	-	131,774	376,696	107,024	483,720
Effects of changes in accounting policies (note 3 to the consolidated financial statements)	-	-	-	169,015	-	-	(154,501)	14,514	(380)	14,134
At 1st January, 2005 (as restated)	56,736	318,118	38,933	-	150	-	(22,727)	391,210	106,644	497,854
Exchange difference arising from the translation of financial statements of subsidiaries operating outside Hong Kong	-	-	-	-	2,206	-	-	2,206	801	3,007
Profit recognised directly in equity	-	-	-	-	2,206	-	-	2,206	801	3,007
Realised on disposal of property	-	-	(19,367)	-	-	-	19,367	-	-	-
Realised to income statement on disposal of a subsidiary	-	-	-	-	(30)	-	-	(30)	-	(30)
Profit for the year	-	-	-	-	-	-	32,399	32,399	24,219	56,618
Total recognised (loss) profit for the year	-	-	(19,367)	-	2,176	-	51,766	34,575	25,020	59,595
Retained profits transferred to revenue reserve	-	-	-	-	-	1,820	(1,820)	-	-	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	(27,142)	(27,142)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(6,099)	(6,099)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	4,410	4,410
At 31st December, 2005	56,736	318,118	19,566	-	2,326	1,820	27,219	425,785	102,833	528,618

Notes:

- Included in property revaluation reserve was a surplus of HK\$19,367,000 arising on revaluation of leasehold properties in 1994 which was credited to the revaluation reserve and is frozen upon the transfer of leasehold properties to properties held for sale. These properties held for sale were transferred to investment properties in 2000. The attributable valuation surplus has been transferred to retained profits upon the sale of these properties during the year.
- Revenue reserve is reserve required by the relevant laws in the People's Republic of China (the "PRC") applicable to a subsidiary in the PRC for enterprise development purposes.

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	2005 HK\$'000	2004 HK\$'000 (restated)
OPERATING ACTIVITIES		
Profit (loss) before taxation	64,969	(26,617)
Adjustments for:		
Interest income	(1,889)	(3,386)
Finance costs	31,066	27,079
Depreciation	36,758	36,472
Amortisation of prepaid lease payments	1,228	1,376
(Write back of) allowance for bad and doubtful debts	(100)	12,066
Amortisation of goodwill	–	4,473
Release of negative goodwill	–	(1,005)
Change in fair value of derivative financial instruments	(4,146)	–
Gain on disposal of derivative financial instruments	(1,694)	–
Loss on disposal of property, plant and equipment and prepaid lease payments	4,578	739
Gain on disposal of investment properties	(199)	–
Decrease in fair value of investment properties	970	5,930
Revaluation decrease on property, plant and equipment	–	13,249
Impairment loss on goodwill	10,184	10,610
Impairment loss on property, plant and equipment	–	2,638
Write down of inventories	993	1,010
(Loss) gain on disposal of subsidiaries	(2,406)	313
Share of results of jointly controlled entities	(60)	(190)
Share of results of associates	(1,218)	–
Operating cash flows before movements in working capital	139,034	84,757
Increase in inventories	(17,379)	(52,766)
Decrease in trade and other receivables	42,130	18,922
Change in derivative financial instruments	1,694	–
Decrease in amount due from jointly controlled entities	(92)	–
Decrease in amount due from associates	(682)	–
Decrease in prepaid lease payments	–	5,628
Increase in trade and other payables	21,150	18,388
Effect of foreign exchange rate changes	(478)	(322)
Cash generated from operations	185,377	74,607
Hong Kong Profits Tax paid	(6,656)	(2,126)
Taxation outside Hong Kong paid	(8,088)	(1,902)
Hong Kong Profits Tax refunded	160	16
NET CASH FROM OPERATING ACTIVITIES	170,793	70,595

Consolidated Cash Flow Statement

For the year ended 31st December, 2005

	Note	2005 HK\$'000	2004 HK\$'000 (restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(12,091)	(25,671)
Increase in pledged bank deposits		(6,262)	(39,593)
Acquisition of associates		(5,449)	–
Advance of loans		(950)	–
Proceeds from disposal of property, plant and equipment, and prepaid lease payments		18,475	2,604
Proceeds from disposal of investment properties		11,459	–
Repayment of loans advanced		6,385	1,838
Receipt of deferred consideration on disposal of property, plant and equipment		–	2,157
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	37	5,006	8,609
Interest received		2,255	3,046
Advance to jointly controlled entities		–	(6,822)
Consideration on acquisition of further interests in subsidiaries		–	(4,560)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		18,828	(58,392)
FINANCING ACTIVITIES			
Bank loans raised		179,952	173,030
Capital contribution from minority shareholders		4,410	–
Repayment of bank loans		(243,281)	(215,191)
Interest paid		(30,233)	(27,213)
Dividend paid to minority shareholders of subsidiaries		(27,142)	(11,500)
Net (repayment) borrowing of trust receipt loans		(15,429)	62,505
Repayment of mortgage loans		(14,223)	(14,514)
Repayment of obligations under finance leases		(6,305)	(7,313)
Repayment to minority shareholders		(2,091)	(3,350)
Mortgage loans raised		–	9,111
Dividend paid		–	(8,510)
NET CASH USED IN FINANCING ACTIVITIES		(154,342)	(42,945)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		35,279	(30,742)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		86,055	116,493
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		606	304
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		121,940	86,055
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		124,845	92,673
Bank overdrafts		(2,905)	(6,618)
		121,940	86,055

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

1. GENERAL

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

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

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

The consolidated financial statements are presented in Hong Kong dollars. The Company's functional currency is Hong Kong dollars, while the functional currency of the subsidiaries registered in the PRC is Renminbi.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has results in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 "Business combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005 and for goodwill and negative goodwill as at 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1st January, 2001 was held in reserves, and goodwill arising on acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK\$169,015,000 has been transferred to the Group's retained profits on 1st January, 2005. With respect to goodwill previously capitalised on the balance sheet, the Group on 1st January, 2005 eliminated the carrying amount of the related accumulated amortisation of HK\$9,141,000 with a corresponding decrease in the cost of goodwill (see note 15). The Group has discontinued amortising such goodwill from 1st January, 2005 and goodwill will be tested for impairment at least annually and in the financial year in which the acquisition takes place. Goodwill arising on acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 have not been restated (see note 3 for the financial impact).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in income statement in the year in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill of HK\$18,276,000 at 1st January, 2005 with a corresponding increase to retained profits (see note 3).

Owner-occupied leasehold interest in land

At 31st December, 2004, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. The corresponding revaluation increase previously credited to property revaluation reserve during the year ended 31st December, 2004 of HK\$26,500,000 was reversed. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment (see note 3 for the financial impact).

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the year in which they arise. In previous years, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The adoption of HKAS 40 has no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Financial Instruments

In the current year, the Group has applied HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement". HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instruments in the consolidated financial statements of the Group. HKAS 39, which is effective for annual years beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. No adjustment has been made as at 1st January, 2005.

Forward contracts financial instruments being derivatives within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Prior to 1st January, 2005, forward contracts financial instruments are not recognised in the financial statements. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year in which they arise. The Group's derivatives are deemed as held for trading and an adjustment to the derivative financial instruments on 1st January, 2005 has been made to the Group's retained profits (see note 3 for the financial impact).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described above on the results for the current and prior year are as follows:

	2005 HK\$'000	2004 HK\$'000
Decrease in amortisation of goodwill	3,080	–
Decrease in release of negative goodwill	(1,402)	–
Decrease in revaluation decrease on property, plant and equipment	–	1,700
Write down of prepaid lease payments	–	(5,628)
Gains arising from changes in fair value of derivative financial instruments	4,146	–
Decrease in deferred tax relating to the revaluation on property, plant and equipment	–	(4,514)
Increase in profit (loss) for the year	5,824	(8,442)
Attributable to:		
Equity holders of the Company	5,475	(8,442)
Minority interests	349	–
	5,824	(8,442)

Analysis of increase in profit (loss) for the year by line items presented according to their function:

	2005 HK\$'000	2004 HK\$'000
Increase in other income	4,146	–
Increase in other expenses	–	(5,628)
Decrease in amortisation of goodwill	3,080	–
Decrease in release of negative goodwill	(1,402)	–
Decrease in revaluation decrease on property, plant and equipment	–	1,700
Decrease in income taxes	–	(4,514)
Increase in profit (loss) for the year	5,824	(8,442)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The cumulative effects of the application of the new HKFRSs as at 31st December, 2004 and 1st January, 2005 are summarised below:

	As at	Retrospective		As at	Adjustments on		As at
	31st December,	adjustments		31st December,	1st January, 2005		1st January,
	2004 (originally stated) HK\$'000	HKAS 1 HK\$'000	HKAS 17 HK\$'000	2004 (restated) HK\$'000	HKAS 39 HK\$'000	HKFRS 3 HK\$'000	2005 (restated) HK\$'000
Balance sheet items							
Goodwill	23,678	-	-	23,678	-	-	23,678
Negative goodwill	(18,276)	-	-	(18,276)	-	18,276	-
Property, plant and equipment	398,178	-	(92,803)	305,375	-	-	305,375
Prepaid lease payments	-	-	55,931	55,931	-	-	55,931
Derivative financial instruments	-	-	-	-	(4,142)	-	(4,142)
Deferred tax liabilities	(13,596)	-	1,930	(11,666)	-	-	(11,666)
Total effects on assets and liabilities		-	(34,942)		(4,142)	18,276	
Retained profits (deficit)	140,216	-	(8,442)	131,774	(3,762)	(150,739)	(22,727)
Property revaluation reserve	65,433	-	(26,500)	38,933	-	-	38,933
Goodwill reserve	(169,015)	-	-	(169,015)	-	169,015	-
Minority interests	-	107,024	-	107,024	(380)	-	106,644
Total effects on equity		107,024	(34,942)		(4,142)	18,276	
Minority interests	107,024	(107,024)	-	-	-	-	-

The adoption of new HKFRSs has no impact on the equity as at 1st January, 2004.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the potential impact of these standards, amendments and interpretations. Other than the adoption of HKAS 39 & HKFRS 4 (Amendments) "Financial guarantee contracts" which may have potential impact to the financial statements, the directors so far concluded that the application of these standards, amendments and interpretations will have no material impact on the financial statements of the Group. The Group is still not in the position to reasonably estimate the impact that may arise from HKAS 39 & HKFRS 4 (Amendments).

HKAS 1 (Amendment)	Capital disclosures ¹
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures ²
HKAS 21 (Amendment)	Net investment in a foreign operation ²
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions ²
HKAS 39 (Amendment)	The fair value option ²
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts ²
HKFRS 6	Exploration for and evaluation of mineral resources ²
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease ²
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds ²
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment ³
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ⁴

¹ Effective for annual periods beginning on or after 1st January, 2007.

² Effective for annual periods beginning on or after 1st January, 2006.

³ Effective for annual periods beginning on or after 1st December, 2005.

⁴ Effective for annual periods beginning on or after 1st March, 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with new HKFRS, 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 of Hong Kong Limited and the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

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

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

As mentioned in note 2, goodwill arising on acquisitions of a subsidiary prior to 1st January, 2001 previously recognised in reserves represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition has been transferred to the retained profits at 1st January, 2005.

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

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

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

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary as at 1st January, 2005 represented the excess of the net fair value of an acquiree's identifiable assets and liabilities over the cost of the business combination. As mentioned in note 2, all negative goodwill as at 1st January, 2005 has been derecognised with a corresponding adjustment to the Group's retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

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

Interests in jointly controlled entities

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

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

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

Revenue recognition

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

Sales of goods are recognised when goods are delivered and title has passed.

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

Rental income, including rentals invoiced in advance from properties or assets held under operating leases, is recognised on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

Property, plant and equipment

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

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

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

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

Leasehold land and buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 33 $\frac{1}{3}$ %
Plant and machinery and equipment	5% – 50%

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

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

The Group as lessee

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

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

Impairment – other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

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

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

Financial instruments

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Other financial liabilities (including trade and other payables, bank borrowings and amounts due to minority shareholders)

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

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

For financial liabilities, they are removed from the Group's balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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 Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement and pension schemes for the staff in the PRC are charged as an expense as they fall due.

Borrowing costs

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

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

Taxation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2005, the carrying amount of goodwill is HK\$13,494,000 (net of accumulated impairment loss of HK\$20,794,000). Details of the recoverable amount calculation are disclosed in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

2005 (Continued)

OTHER INFORMATION

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	8,283	1,436	2,482	31	5,108	105	17,445
Depreciation	13,935	1,174	19,591	134	1,356	568	36,758
Amortisation of prepaid lease payments	520	-	670	-	-	38	1,228
(Write back of) allowance for bad and doubtful debts	(844)	559	(2,438)	2,158	465	-	(100)
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(38)	11	4,850	50	(41)	(254)	4,578
Gain on disposal of investment properties	-	-	-	-	-	(199)	(199)
Write down of inventories	43	-	250	200	500	-	993
Net exchange loss (gain)	1,471	(467)	3	424	(32)	149	1,548
Decrease in fair value on investment properties	-	-	-	-	-	970	970

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

2004 (restated) (Continued)

OTHER INFORMATION

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	15,113	4,016	4,285	23	4,878	1,097	29,412
Addition to goodwill	-	-	1,331	-	-	-	1,331
Addition to negative goodwill	-	-	(5,456)	-	-	-	(5,456)
Depreciation	15,126	989	18,400	292	911	754	36,472
Amortisation of prepaid lease payments	560	-	706	-	-	110	1,376
Amortisation of goodwill	-	-	365	25	4,083	-	4,473
Write down of inventories	510	-	-	-	500	-	1,010
Release of negative goodwill	-	-	(1,005)	-	-	-	(1,005)
Allowance for bad and doubtful debts	3,078	2,106	4,594	818	1,226	244	12,066
Loss on disposal of property, plant and equipment	326	26	365	2	20	-	739
Net exchange loss (gain)	2,731	676	(439)	1,671	(1)	(55)	4,583
Decrease in fair value on investment properties	-	-	-	-	-	5,930	5,930
Revaluation decrease on property, plant and equipment	-	-	11,733	-	-	1,516	13,249
Impairment loss on property, plant and equipment	-	-	2,638	-	-	-	2,638

Geographical segments

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

	Revenue by geographical market	
	2005 HK\$'000	2004 HK\$'000
Hong Kong	1,548,371	1,594,012
Other regions in the PRC	646,653	831,774
Macau	31,679	39,890
Australia	36,835	32,101
Others	14,911	56,770
	2,278,449	2,554,547

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

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

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment and prepaid lease payments		Addition to goodwill	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	658,976	742,626	3,632	4,005	–	1,331
Other regions in the PRC	591,751	571,851	13,792	24,334	–	–
Australia	5,151	–	21	1,063	–	–
Others	–	7,023	–	10	–	–
	1,255,878	1,321,500	17,445	29,412	–	1,331

7. OTHER INCOME

	2005	2004
	HK\$'000	HK\$'000
Included in other income are:		
Gross rental income from investment properties	782	1,120
Less: direct operating expenses from investment properties that generated rental income during the year	(132)	(171)
Net rental income from investment properties	650	949
Rental income from property, plant and equipment	1,405	2,525
	2,055	3,474

8. FINANCE COSTS

	2005	2004
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	30,457	25,789
Finance leases	605	547
Other borrowings wholly repayable within five years	4	743
	31,066	27,079

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

9. INCOME TAXES

	2005 HK\$'000	2004 HK\$'000 (restated)
The charge comprises:		
Current year		
Hong Kong	3,612	3,778
Outside Hong Kong	3,143	2,434
	6,755	6,212
(Over)underprovision in prior years		
Hong Kong	(156)	512
Outside Hong Kong	1,717	–
	1,561	512
	8,316	6,724
Deferred tax (note 36)		
Current year	35	(3,016)
	8,351	3,708

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the years.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

9. INCOME TAXES (Continued)

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

	Hong Kong		PRC and others		Total	
	2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000 (restated)
Profit (loss) before taxation	29,194	(64,412)	35,775	37,795	64,969	(26,617)
Domestic income tax rate	17.5%	17.5%	33%	33%		
Tax at the domestic income tax rate	5,109	(11,272)	11,806	12,472	16,915	1,200
Tax effect of expenses not deductible for tax purpose	3,217	4,842	181	454	3,398	5,296
Tax effect of income not taxable for tax purpose	(612)	(720)	(30)	(22)	(642)	(742)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	(4,567)	(7,878)	–	–	(4,567)	(7,878)
Tax effect of tax losses not recognised	4,766	16,721	1,586	420	6,352	17,141
Tax effect of utilisation of tax losses not recognised	(4,956)	(621)	(546)	(482)	(5,502)	(1,103)
Tax effect of other deductible temporary difference not recognised	–	(754)	(2,375)	–	(2,375)	(754)
Effect of tax exemption granted to PRC subsidiaries	–	–	(7,349)	(10,082)	(7,349)	(10,082)
Others	690	604	(130)	(486)	560	118
(Over)underprovision in prior years	(156)	512	1,717	–	1,561	512
Income taxes for the year	3,491	1,434	4,860	2,274	8,351	3,708

Details of deferred taxation are set out in note 36.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

10. PROFIT (LOSS) FOR THE YEAR

	2005 HK\$'000	2004 HK\$'000 (restated)
Profit (loss) for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	1,228	1,376
Auditors' remuneration		
Current year	2,746	2,477
Underprovision in prior years	409	359
Depreciation	36,758	36,472
Change in fair value of derivative financial instruments	(4,146)	–
Gain on disposal of derivative financial instruments	(1,194)	–
Minimum lease payments for operating leases in respect of		
Land and buildings	13,421	16,851
Plant and machinery	1,790	2,380
	15,211	19,231
Net exchange loss	1,548	4,583
Staff costs including directors' emoluments and contributions to retirement benefits scheme	87,294	104,682
(Write back of) allowance for bad and doubtful debts	(100)	12,066
Cost of inventories recognised as expenses including write down of inventories of HK\$993,000 (2004: HK\$1,010,000)	2,004,502	2,321,589
(Gain) loss on disposal of		
Investment properties	(199)	–
Property, plant and equipment and prepaid lease payments	4,578	739
Impairment loss on property, plant and equipment	–	2,638
Share of income tax attributable to an associate	92	–

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK\$1,348,000 (2004: HK\$1,744,000) are included under staff costs.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

11. DIRECTORS' EMOLUMENTS

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

	Pang Tak Chung HK\$'000	Ho Wai Yu, Sammy HK\$'000	John Cyril Fletcher HK\$'000	Robert Keith Davis HK\$'000	Yu Kwok Kan, Stephen HK\$'000	Chan Yat Yan HK\$'000	Lo Yip Tong HK\$'000	2005 Total HK\$'000
Fees	–	–	–	70	90	90	90	340
Other emoluments								
Salaries and other benefits	3,490	1,972	1,644	–	–	–	–	7,106
Contributions to retirement benefits schemes	145	118	55	–	–	–	–	318
	3,635	2,090	1,699	70	90	90	90	7,764

	Pang Tak Chung HK\$'000	Ho Wai Yu, Sammy HK\$'000	John Cyril Fletcher HK\$'000	Robert Keith Davis HK\$'000	Yu Kwok Kan, Stephen HK\$'000	Chan Yat Yan HK\$'000	Lo Yip Tong HK\$'000	Li Chiu Wah, Joseph HK\$'000	2004 Total HK\$'000
Fees	–	–	–	94	87	67	67	90	405
Other emoluments									
Salaries and other benefits	3,548	1,901	1,444	431	–	–	–	–	7,324
Contributions to retirement benefits schemes	138	110	55	23	–	–	–	–	326
	3,686	2,011	1,499	548	87	67	67	90	8,055

No director waived any emoluments for the two years ended 31st December, 2005.

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2004: two directors), details of whose emoluments are set out in note 11 above. The emoluments of the remaining two individuals (2004: three individuals) are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	4,299	6,735
Contributions to retirement benefits scheme	24	36
	4,323	6,771

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

12. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2005 Number of employees	2004 Number of employees
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$2,500,001 – HK\$3,000,000	1	1
	2	3

13. DIVIDEND

The directors recommend the payment of a final dividend of 2 HK cents per share for the year ended 31st December, 2005 and is subject to approval by shareholders in the annual general meeting.

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit (loss) attributable to the equity holders of the Company for the year and on the 567,362,500 (2004: 567,362,500) ordinary shares in issue.

Impact of changes in accounting policies

The following table summarises the impact on earnings (loss) per share as a result of adoption of new HKFRSs as described in details in note 2:

	2005 HK cents	2004 HK cents
Figures before changes in accounting policies	4.74	(9.21)
Adjustments arising from changes in accounting policies (see note 3)	0.97	(1.49)
Figures after changes in accounting policies	5.71	(10.70)

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

15. GOODWILL

	HK\$'000
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COST	
At 1st January, 2004	44,207
Arising on acquisition of further interests in subsidiaries	1,331
Released on disposal of subsidiaries	<u>(2,109)</u>
At 31st December, 2004	43,429
Elimination of accumulated amortisation upon adoption of HKFRS 3	<u>(9,141)</u>
At 1st January, 2005 and at 31st December, 2005	<u>34,288</u>
AMORTISATION	
At 1st January, 2004	5,187
Amortised for the year	4,473
Released on disposal of subsidiaries	<u>(519)</u>
At 31st December, 2004	9,141
Elimination of accumulated amortisation upon adoption of HKFRS 3	<u>(9,141)</u>
At 1st January, 2005 and at 31st December, 2005	<u>–</u>
IMPAIRMENT	
Impairment loss recognised in the year ended 31st December, 2004	10,610
Impairment loss recognised in the year ended 31st December, 2005	<u>10,184</u>
As 31st December, 2005	<u>20,794</u>
CARRYING AMOUNT	
At 31st December, 2005	<u>13,494</u>
At 31st December, 2004	<u>23,678</u>

Until 31st December, 2004, goodwill is amortised on a straight-line basis over the estimated useful life of 10 years.

For the purposes of impairment testing, goodwill is allocated to two individual cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to a subsidiary of manufacturing of construction materials segment (Unit A) and certain subsidiaries in other operations segment (Unit B) of HK\$3,200,000 and HK\$31,088,000 respectively.

During the year ended 31st December, 2005, the Group recognised an impairment loss of HK\$10,184,000 (2004: HK\$10,610,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

15. GOODWILL (Continued)

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

Unit A

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

Unit B

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

16. NEGATIVE GOODWILL

	HK\$'000
<hr/>	
GROSS AMOUNTS	
At 1st January, 2004	15,506
Arising on acquisition of further interests in subsidiaries	5,456
	<hr/>
At 31st December, 2004	20,962
	<hr/>
RELEASED TO INCOME	
At 1st January, 2004	1,681
Released for the year	1,005
	<hr/>
At 31st December, 2004	2,686
	<hr/>
At 31st December, 2004	18,276
Dereognised upon adoption of HKFRS 3	(18,276)
	<hr/>
At 31st December, 2005	–
	<hr/>

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

17. INVESTMENT PROPERTIES

	2005 HK\$'000	2004 HK\$'000
At beginning of the year	38,630	44,560
Disposals	(11,260)	–
Decrease in fair value	(970)	(5,930)
At end of the year	26,400	38,630

The Group's investment properties comprise:

	2005 HK\$'000	2004 HK\$'000
Properties held under medium term leases:		
In Hong Kong	11,300	20,260
Other regions in the PRC	2,800	3,070
Properties held under long leases in Hong Kong	12,300	15,300
	26,400	38,630

The fair value of the Group's investment properties at 31st December, 2005 have been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties of the Group are rented out under operating leases.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery and equipment HK\$'000	Assets under installation HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST OR VALUATION								
At 1st January, 2004	312,549	23,174	15,778	46,924	295,520	–	17,765	711,710
Effect on change in an accounting policy	(107,277)	–	–	–	–	–	–	(107,277)
As restated	205,272	23,174	15,778	46,924	295,520	–	17,765	604,433
Exchange differences	96	3	19	167	533	–	2	820
Additions	1,331	155	964	6,926	10,446	4,373	5,217	29,412
Disposals	(510)	–	(265)	(3,526)	(3,913)	–	(9)	(8,223)
On disposal of subsidiaries	(15,708)	–	(582)	(1,182)	(18,085)	–	(16,060)	(51,617)
Eliminated on revaluation	(86,522)	–	–	–	–	–	–	(86,522)
Reclassification	–	–	–	–	946	–	(946)	–
At 31st December, 2004	103,959	23,332	15,914	49,309	285,447	4,373	5,969	488,303
Exchange differences	226	12	44	580	1,789	–	63	2,714
Additions	419	2,117	1,156	3,319	7,651	1,083	1,700	17,445
Disposals	(10,562)	(2,588)	(601)	(1,938)	(6,213)	–	(1,703)	(23,605)
On disposal of subsidiaries	–	–	(595)	(861)	(1,973)	(65)	–	(3,494)
Reclassification	–	–	4	(61)	7,309	(5,379)	(1,873)	–
At 31st December, 2005	94,042	22,873	15,922	50,348	294,010	12	4,156	481,363
Comprising:								
At cost	419	22,873	15,922	50,348	294,010	12	4,156	387,740
At valuation – 2004	93,623	–	–	–	–	–	–	93,623
	94,042	22,873	15,922	50,348	294,010	12	4,156	481,363
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2004	136,194	16,357	12,106	23,173	107,037	–	–	294,867
Effect on change in an accounting policy	(44,422)	–	–	–	–	–	–	(44,422)
As restated	91,772	16,357	12,106	23,173	107,037	–	–	250,445
Exchange differences	33	1	11	75	139	–	–	259
Provided for the year	6,290	1,227	1,600	5,024	22,331	–	–	36,472
Eliminated on disposals	(61)	–	(241)	(1,673)	(2,905)	–	–	(4,880)
On disposal of subsidiaries	(859)	–	(259)	(216)	(3,497)	–	–	(4,831)
Impairment loss	–	–	–	–	–	–	2,638	2,638
Eliminated on revaluation	(97,175)	–	–	–	–	–	–	(97,175)
At 31st December, 2004	–	17,585	13,217	26,383	123,105	–	2,638	182,928
Exchange differences	–	2	29	297	621	–	–	949
Provided for the year	7,433	1,252	879	5,198	21,996	–	–	36,758
Eliminated on disposals	(109)	(1,238)	(490)	(1,758)	(1,742)	–	–	(5,337)
On disposal of subsidiaries	–	(13)	(247)	(464)	(346)	–	–	(1,070)
Reclassification	–	–	4	(6)	2	–	–	–
At 31st December, 2005	7,324	17,588	13,392	29,650	143,636	–	2,638	214,228
CARRYING VALUES								
At 31st December, 2005	86,718	5,285	2,530	20,698	150,374	12	1,518	267,135
At 31st December, 2004 (as restated)	103,959	5,747	2,697	22,926	162,342	4,373	3,331	305,375

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The carrying values of leasehold land and buildings and construction in progress shown above comprises:

	2005 HK\$'000	2004 HK\$'000 (restated)
Leasehold land and buildings:		
Situated in Hong Kong held under medium term leases	46,397	62,740
Buildings:		
Situated in Hong Kong held under short term leases	2,459	3,171
Situated in other regions in the PRC held under medium term leases	37,862	38,048
	86,718	103,959
Construction in progress:		
Situated in other regions in the PRC held under medium term leases	1,518	3,331
	88,236	107,290

Property, plant and equipment of the Group includes assets carried at cost of HK\$4,565,000 (2004: HK\$8,288,000) with accumulated depreciation of HK\$1,826,000 (2004: HK\$2,041,000) held for used under operating leases. Depreciation charged in respect of these assets during the year amounted to HK\$228,000 (2004: HK\$414,000).

The net book values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK\$823,000 (2004: HK\$1,465,000) and HK\$18,558,000 (2004: HK\$28,065,000) respectively in respect of assets held under finance leases.

The net book value of motor vehicles of the Company include an amount of HK\$564,000 (2004: HK\$639,000) in respect of assets held under finance leases.

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

At 31st December, 2005, if land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and accumulated impairment losses of approximately HK\$77,067,000 (2004: HK\$93,306,000).

During the year ended 31st December, 2004, the directors considered that no future benefit would be derived from the construction in progress of HK\$2,638,000, accordingly, impairment loss was fully made.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

19. PREPAID LEASE PAYMENTS

	2005 HK\$'000	2004 HK\$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	33,805	39,443
Land use right in the PRC under medium-term lease	16,374	16,488
	50,179	55,931
Analysed for reporting purposes as:		
Current asset	1,192	1,375
Non-current asset	48,987	54,556
	50,179	55,931

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2005 HK\$'000	2004 HK\$'000
Cost of investments (unlisted)	1,257	1,257
Share of post-acquisition profits	102	42
	1,359	1,299

Particulars of the jointly controlled entities as at 31st December, 2005 are as follows:

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 Island/ Hong Kong	Ordinary shares	50%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

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

	2005 HK\$'000	2004 HK\$'000
Non-current assets	5,464	5,489
Current assets	11,088	10,775
Current liabilities	(10,429)	(10,429)
	6,123	5,835
Income	9,105	12,270
Expenses	(8,926)	(11,711)
Profit for the year	179	559

21. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

	2005 HK\$'000	2004 HK\$'000
Gross amount	6,914	6,822
Less: amount due after one year	-	(1,500)
Amount repayable on demand shown under current assets	6,914	5,322

The amounts are unsecured and interest free (2004: included in above was an amount of HK\$2,949,000 which bears interest at 5% per annum). The directors consider that the fair values of the amounts as at 31st December, 2005 approximate to the corresponding carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

22. INTERESTS IN ASSOCIATES

	2005 HK\$'000	2004 HK\$'000
Cost of investments (unlisted)	5,449	–
Share of net post-acquisition profits	1,218	–
Less: Unrealised gain on disposal of a subsidiary (note 37)	(1,414)	–
	5,253	–

Particulars of the associates as at 31st December, 2005 are as follows:

Name	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued capital/ registered capital held by the Group	Nature of business
China Rope Holdings Limited	Incorporated	Hong Kong	30%	Investment holding
Bridon Tianjin Rope Ltd. (formerly known as Tianjin Golik – No. 1 Steel Wire Rope Co., Limited)	Equity joint venture	PRC	22.65%	Manufacturing and sale of steel wire rope for elevators

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

	2005 HK\$'000
Non-current assets	4,308
Current assets	40,263
Current liabilities	(20,913)
	23,658
Income	61,413
Expenses	(56,622)
Income taxes	(404)
Profit for the year	4,387

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

23. LONG-TERM RECEIVABLES

	2005 HK\$'000	2004 HK\$'000
Building mortgage loans (note a)	340	425
Other loans (note b)	6,541	11,878
Trade receivables (note c)	223	718
	7,104	13,021
Less: amounts due within one year shown under trade and other receivables	(6,281)	(12,217)
Amounts due after one year	823	804

- (a) The building mortgage loans bear interest at 3% to 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009. The effective interest rate for the year is 9% (2004: 8%).
- (b) Other loans are unsecured, bear interest at 4% to 6% (2004: 4% to 6%) per annum. Included in the loans is HK\$6,192,000 which is repayable within one year and the remaining HK\$349,000 is repayable by November 2007.
- (c) The amounts are aged over 120 days and are repayable by yearly instalments up to 2007.

The directors consider that the fair values of long-term receivables as at 31st December, 2005 approximate to the corresponding carrying amounts.

24. INVENTORIES

	2005 HK\$'000	2004 HK\$'000
Raw materials	168,312	169,715
Work in progress	8,468	12,026
Finished goods	131,286	120,409
Supplies	1,302	2,238
	309,368	304,388

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

25. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 0 to 180 days to its customers.

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

	2005	2004
	HK\$'000	HK\$'000
0 – 30 days	135,507	165,479
31 – 60 days	106,692	116,324
61 – 90 days	73,462	60,336
91 – 120 days	28,597	21,772
More than 120 days	22,584	38,406
	366,842	402,317

The directors consider that the fair values of trade and other receivables as at 31st December, 2005 approximate to the corresponding carrying amounts.

26. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, interest-free and is repayable on demand. The directors consider that the fair value of the amount as at 31st December, 2005 approximates to the corresponding carrying amount.

27. DERIVATIVE FINANCIAL INSTRUMENTS

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

At 31st December, 2005, the total notional amount of outstanding foreign exchange forward options contracts to which the Group is committed ranging from US\$24,500,000 to US\$49,000,000.

These arrangements are designed to address certain exchange exposures for 2006.

At 31st December, 2005, the fair value of the Group's foreign currency forward option contracts is estimated to be a financial asset of approximately HK\$4,000 (1.1.2005: a financial liability of HK\$4,142,000). These amounts are based on market prices quoted by banks at the balance sheet date. The change in fair value of the foreign currency forward option contracts amounting to HK\$4,146,000 has been realised in income statement.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

28. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets. The deposits carry fixed interest rate ranging from 1.75% to 2.5%.

Pledged bank deposits of the Group of approximately HK\$23,604,000 (2004: HK\$12,735,000) were utilised for repayment of bank borrowings subsequent to the balance sheet date.

The directors consider that the fair value of pledged bank deposits as at 31st December, 2005 approximates to the corresponding carrying amount.

29. BANK BALANCES AND CASH

The directors consider that the fair value of bank balances and cash as at 31st December, 2005 approximates to the corresponding carrying amount. The amount included deposits with an original maturity of three months or less which carry fixed interest rate of 4.65%.

30. TRADE AND OTHER PAYABLES

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

	2005 HK\$'000	2004 HK\$'000
0 – 30 days	60,573	72,268
31 – 60 days	17,405	12,921
61 – 90 days	8,413	4,509
91 – 120 days	7,435	1,274
More than 120 days	29,358	16,113
	123,184	107,085

The directors consider the fair values of trade and other payables as at 31st December, 2005 approximate to the corresponding carrying amounts.

31. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

The directors consider the fair values of the amounts as at 31st December, 2005 approximate to the corresponding carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

32. BANK BORROWINGS

	2005 HK\$'000	2004 HK\$'000
Bank overdrafts	2,905	6,618
Bank loans	140,109	210,942
Mortgage loans	4,911	19,075
Trust receipt loans	364,677	380,106
	512,602	616,741
Analysed as:		
Secured	51,593	147,958
Unsecured	461,009	468,783
	512,602	616,741
The bank borrowings are repayable as follows:		
On demand or within one year	503,834	568,506
More than one year, but not exceeding two years	7,378	36,175
More than two years, but not exceeding three years	1,390	7,415
More than three years, but not exceeding four years	–	2,841
More than four years, but not exceeding five years	–	784
More than five years	–	1,020
	512,602	616,741
Less: amounts due within one year shown under current liabilities	(503,834)	(568,506)
Amounts due after one year	8,768	48,235

The average effective borrowing rates are ranging from 3.25% to 8.5% (2004: 2.75% to 7.5%) per annum.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

32. BANK BORROWINGS (Continued)

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

Denominated in	Interest rate	2005 HK\$'000	2004 HK\$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate plus 1.35% to 5%	200,348	207,654
United States dollars (note)	London Interbank Offered Rate plus 1% to 2.25%	235,987	294,106
Reminbi	10% mark up from People's Bank of China lending rate	75,207	105,637
Others (note)	Prime Rate plus 0.5%	1,060	9,344
		512,602	616,741

Note:

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

The directors consider that the current interest rates represent prevailing market interest rates and, therefore, the fair values of bank borrowings as at 31st December, 2005 estimated by discounting their future cash flows at the prevailing market borrowing rates appropriate to the corresponding carrying amounts.

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Within one year	5,446	5,974	4,942	5,553
In the second to fifth year inclusive	5,026	5,081	4,612	4,927
	10,472	11,055		
Less: future finance charges	(918)	(575)		
Present value of lease obligations	9,554	10,480	9,554	10,480
Less: amounts due within one year shown under current liabilities			(4,942)	(5,553)
Amounts due after one year			4,612	4,927

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2005, the average effective borrowing rates are ranging from 2.75% to 7% (2004: 2.35% to 12.5%) per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

The directors consider that the current interest rates represent prevailing market interest rates and, therefore, the fair values of obligations under finance leases as at 31st December, 2005 estimated by discounting their future cash flows at the prevailing market borrowing rates appropriate to the corresponding carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

34. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1st January, 2004, 31st December, 2004 and 2005	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2004, 31st December, 2004 and 2005	567,362,500	56,736

35. SHARE OPTION SCHEMES

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 capital of the Company ("Shares").
 - (i) any eligible employee;
 - (ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
 - (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (iv) any customer of the Group or any Invested Entity;
 - (v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and
 - (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.
- c. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,736,250 Shares which is the 10% of the total issued share capital of the Company as at 31st December, 2005. 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 per cent. of the issued share capital of the Company from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

35. SHARE OPTION SCHEMES (Continued)

Summary of the Scheme (Continued)

- d. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the New Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.
- e. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors to each grantee, which period may commence on the date on which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.
- f. An offer of grant of an option may be accepted by a Participant within 28 days from the date of the offer of grant of the option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an option.
- g. The subscription price per Shares 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 the grant, which must be a trading day;
 - (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and
 - (iii) the nominal value of a Share.
- h. The Scheme has a life of 10 years and will expire on 26th May, 2014.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

36. DEFERRED TAXATION

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

	Accelerated accounting depreciation HK\$'000	Revaluation on properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1st January, 2004	–	–	(23,963)	13,155	(10,808)
Underprovision in prior year	–	–	(198)	198	–
On disposal of subsidiaries	–	–	462	–	462
Charge to equity for the year (as restated)	–	(4,336)	–	–	(4,336)
Credit (charge) to income for the year (as restated)	2,408	–	1,681	(1,073)	3,016
At 31st December, 2004 (as restated)	2,408	(4,336)	(22,018)	12,280	(11,666)
Exchange differences	–	(12)	–	–	(12)
On disposal of subsidiaries	–	–	30	(30)	–
Credit (charge) to income for the year	258	–	1,505	(1,798)	(35)
At 31st December, 2005	2,666	(4,348)	(20,483)	10,452	(11,713)

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

At the balance sheet date, the Group has unused tax losses of HK\$722,248,000 (2004: HK\$730,229,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$59,736,000 (2004: HK\$70,181,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$662,512,000 (2004: HK\$660,048,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax losses of HK\$8,276,000 (2004: HK\$8,326,000) which will expire within five years.

At the balance sheet date, the Group has deductible temporary differences of HK\$24,151,000 (2004: HK\$40,122,000) in respect of accelerated accounting depreciation and allowance for doubtful debts. A deferred tax asset has been recognised in respect of HK\$15,234,000 (2004: HK\$13,760,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK\$8,917,000 (2004: HK\$26,362,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

37. DISPOSAL OF SUBSIDIARIES

On 21st January, 2005, the Group entered into an agreement with China Rope Holdings Limited ("China Rope") (an associate of which the Group has 30% interest) in relation to the disposal of its entire 51% equity interest in Bridon Tianjin Rope Ltd. to China Rope for a cash consideration of US\$1.3 million (approximately HK\$10.4 million). A portion of gain on disposal of a subsidiary attributable to the Group's interest through China Rope was deferred and offset against the Group's interests in associates as disclosed in note 22.

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

During the year ended 31st December, 2004, the Group disposed of its entire 80% equity interest in Locusrate Limited for a consideration of HK\$5,449,000. In addition, the Group disposed of 84% and 51.24% equity interest in Full Glory Corporation Limited and Changzhou Golik Color Coated Steel Manufactory Co., Ltd. respectively for an aggregate consideration of HK\$8,000.

The subsidiaries disposed contributed approximately HK\$36 million (2004: HK\$124 million) to the Group's turnover and incurred a loss before taxation of approximately HK\$0.1 million (2004: contributed a profit before taxation of HK\$5 million) to the Group.

	2005 HK\$'000	2004 HK\$'000
Net assets disposed of		
Goodwill	–	1,590
Property, plant and equipment	2,424	46,786
Inventories	12,590	25,191
Trade and other receivables	22,299	47,000
Income tax recoverable	10	–
Pledged bank deposits	–	45,155
Bank balances and cash	8,348	3,444
Trade and other payables	(19,148)	(96,822)
Amounts due to minority shareholders	(1,427)	(2,837)
Income tax payable	–	(621)
Bank borrowings, other than bank overdraft	(9,433)	(46,242)
Bank overdrafts	–	(6,596)
Obligations under finance leases	–	(108)
Deferred tax liabilities	–	(462)
	15,663	15,478
Goodwill reserve realised	–	1,279
Exchange reserve realised	(30)	(257)
Minority interests released	(6,099)	(10,730)
Gain (loss) on disposal of subsidiaries (below)	3,820	(313)
Total consideration	13,354	5,457

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

37. DISPOSAL OF SUBSIDIARIES (Continued)

	2005 HK\$'000	2004 HK\$'000
Net cash inflow arising on disposal:		
Cash consideration	13,354	5,457
Bank balances and cash disposed of	(8,348)	(3,444)
Bank overdrafts disposed of	–	6,596
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	5,006	8,609
Gain (loss) disposal of subsidiaries (above)	3,820	(313)
Less: unrealised gain on disposal offset against interests in associates (note 22)	(1,414)	–
Gain (loss) recognised in consolidated income statement	2,406	(313)

38. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK\$5,354,000 (2004: HK\$3,741,000).

39. PLEDGE OF ASSETS

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

	2005 HK\$'000	2004 HK\$'000 (restated)
Investment properties	23,600	35,560
Land and buildings and prepaid lease payments	45,404	62,598
Plant and machinery and equipment	14,495	18,565
Bank deposits	23,604	16,980
	107,103	133,703

In addition, the Group had created a floating charge over certain assets of a subsidiary with a carrying value of HK\$26,000 (2004: HK\$25,000) to a bank as securities against banking facilities granted to the Group.

40. CONTINGENT LIABILITIES

- (i) At the balance sheet date, the Group has provided corporate guarantees to the extent of HK\$1,600,000 to a bank to secure the banking facilities granted to an associate.
- (ii) At the balance sheet date, the Group had provided corporate guarantees to the extent of Nil (2004: HK\$3,741,000) to a supplier to secure supply of goods to its former subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

41. OPERATING LEASE COMMITMENTS

As lessee

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

	2005 HK\$'000	2004 HK\$'000
Land and buildings:		
Within one year	11,917	12,931
In the second to fifth year inclusive	26,296	31,664
After five years	20,430	15,473
	58,643	60,068
Plant and machinery and equipment:		
Within one year	1,440	2,380
In the second to fifth year inclusive	720	4,041
	2,160	6,421

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

As lessor

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

	2005 HK\$'000	2004 HK\$'000
Land and buildings:		
Within one year	909	1,288
In the second to fifth year inclusive	1,722	1,657
After five years	701	1,163
	3,332	4,108
Plant and machinery and equipment:		
Within one year	–	1,656
In the second to fifth year inclusive	–	1,380
	–	3,036

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

42. CAPITAL COMMITMENTS

	2005 HK\$'000	2004 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment: Contracted for but not provided in the financial statements	2,602	797

43. RETIREMENT BENEFITS SCHEMES

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

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK\$2,857,000 (2004: HK\$3,753,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK\$77,000 (2004: HK\$595,000).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

44. RELATED PARTY TRANSACTIONS

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

	Trade purchases		Rental charges		Acquisition of further interest in a subsidiary		Disposal of subsidiaries to		Interest income		Payment on behalf of the entities	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
A jointly controlled entity	2,307	3,637	-	-	-	-	-	-	-	173	1,000	2,051
Associates	-	-	-	-	-	-	10,354	-	-	-	16	-
Minority shareholders of subsidiaries	-	-	634	1,435	-	1,090	3,000	5,449	-	-	-	-

Compensation of key management personnel

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31st December, 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Group has appropriate monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with creditworthy financial institutions.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

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

Currency risk

The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions (see note 27). The use of financial derivatives is monitored by authorised persons of subsidiaries.

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Investment holding and trading of steel and metal products
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$10,100,000 Non-voting deferred shares **	95%	Investment holding and sales of printing materials, spare parts and machines
Daido Concrete (H.K.) Limited	Incorporated	Hong Kong	HK\$750,000,000 Ordinary shares	100%	Investment and properties holding
Ding Cheong Limited	Incorporated	Hong Kong	HK\$500,000 Ordinary shares	55%	Investment holding and sales of construction materials
Golik Concrete Limited	Incorporated	Hong Kong	HK\$60,000,000 Ordinary shares	100%	Investment holding and operating a concrete batching plant
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK\$20,000,000 Ordinary shares	77%	Decoiling centre

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Golik Godown Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	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%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK\$30,000,000 Ordinary shares	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited *	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK\$80,000,000 Ordinary shares	100%	Investment holding and sales of steel bars and metal products
Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei")	Equity joint venture	PRC	US\$3,880,000 Registered capital	60% (note)	Manufacturing and sales of steel wire products and steel ropes
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK\$10,000,000 Ordinary shares	51%	Manufacturing and sales of PVC plastic products
Stahl Trading Pty Limited	Incorporated	Australia	AUS\$100 Ordinary shares	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials
Tianjin Golik – The First PC Steel Strand Co., Limited	Equity joint venture	PRC	RMB49,000,000 Registered capital	51%	Manufacturing and sales of prestressed steel wire

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

46. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name	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
Worldlight Group Limited *	Incorporated	British Virgin Islands/Hong Kong	US\$2 Ordinary shares	100%	Investment holding
定昌(江門)五金製品有限公司	Wholly owned foreign enterprise	PRC	HK\$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣東水利混凝土有限公司	Equity joint venture	PRC	RMB27,800,000 Registered capital	100%	Operating a concrete batching plant
廣州保稅區高力金屬貿易有限公司	Equity joint venture	PRC	HK\$5,000,000 Registered capital	80%	Sales of steel and metal products
鶴山高力金屬製品有限公司	Equity joint venture	PRC	US\$1,712,140 Registered capital	81.6%	Manufacturing and sales of steel wire products and steel ropes

* Subsidiaries held directly by the Company

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

Note

Under a joint venture agreement, the Group has contributed 60% of the registered capital in Heshan Hang Kei, an equity joint venture company in the PRC, with a term of 20 years commencing from 21st March, 1995. However, under a supplemental joint venture agreement, the Group will be entitled to 100% of the joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the PRC joint venture partner. On cessation of the joint venture company, the Group will be entitled to all assets of Heshan Hang Kei other than those contributed by the PRC joint venture partner.

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, result 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

47. COMPANY'S BALANCE SHEET

	2005 HK\$'000	2004 HK\$'000
Non-current Assets		
Property, plant and equipment (<i>note a</i>)	1,006	1,314
Investments in subsidiaries	244,826	248,096
Investment in an associate	5,449	–
Rental deposits	259	259
	251,540	249,669
Current Assets		
Other receivables	3,647	4,793
Amounts due from subsidiaries	378,614	401,256
Amount due from an associate	202	–
Pledged bank deposits	–	7,501
Bank balances and cash	349	313
	382,812	413,863
Current Liabilities		
Other payables	1,012	723
Amounts due to subsidiaries	123,657	118,738
Bank borrowings	–	48,000
Obligation under a finance lease	231	223
	124,900	167,684
Net Current Assets	257,912	246,179
	509,452	495,848
Capital and Reserves		
Share capital	56,736	56,736
Reserves	452,636	420,286
	509,372	477,022
Non-current Liabilities		
Bank borrowings	–	18,516
Obligation under a finance lease	80	310
	80	18,826
	509,452	495,848

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2005

47. COMPANY'S BALANCE SHEET (Continued)

a. Property, plant and equipment

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1st January, 2004	617	540	709	1,866
Additions	–	19	1,069	1,088
At 31st December, 2004	617	559	1,778	2,954
Additions	–	87	–	87
At 31st December, 2005	617	646	1,778	3,041
DEPRECIATION				
At 1st January, 2004	617	436	227	1,280
Provided for the year	–	43	317	360
At 31st December, 2004	617	479	544	1,640
Provided for the year	–	39	356	395
At 31st December, 2005	617	518	900	2,035
CARRYING VALUES				
At 31st December, 2005	–	128	878	1,006
At 31st December, 2004	–	80	1,234	1,314

Financial Summary

	Year ended 31st December,				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2004 HK\$'000 (restated)	
RESULTS					
Turnover					
Continuing operations	944,697	1,177,175	2,128,301	2,554,547	2,278,449
Discontinued operations	63,461	62,306	34,178	–	–
	1,008,158	1,239,481	2,162,479	2,554,547	2,278,449
Operating profit					
Continuing operations	42,840	69,374	68,023	585	92,351
Discontinued operations	30,427	24,691	24,527	–	–
Finance costs	(19,810)	(19,041)	(27,850)	(27,079)	(31,066)
(Loss) gain on disposal of subsidiaries/discontinued operations	–	(4,555)	(23,088)	(313)	2,406
Share of results of jointly controlled entities	–	–	(148)	190	60
Share of results of associates	–	–	–	–	1,218
Profit (loss) before taxation	53,457	70,469	41,464	(26,617)	64,969
Income taxes	2,521	(9,766)	(8,009)	(3,708)	(8,351)
Profit (loss) for the year	55,978	60,703	33,455	(30,325)	56,618
ASSETS AND LIABILITIES					
	At 31st December,				2005 HK\$'000
	2001 HK\$'000	2002 HK\$'000 (restated)	2003 HK\$'000	2004 HK\$'000 (restated)	
Total assets	1,045,501	1,326,566	1,487,350	1,321,500	1,255,878
Total liabilities	(535,438)	(749,813)	(957,886)	(837,780)	(727,260)
	510,063	576,753	529,464	483,720	528,618
Equity attributable to equity holders of the Company	394,405	424,899	424,695	376,696	425,785
Minority interests	115,658	151,854	104,769	107,024	102,833
	510,063	576,753	529,464	483,720	528,618

Note: The results of the Group for the year ended 31st December, 2002 and summary of assets and liabilities of the Group as at 31st December, 2002 have been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of Statement of Standard Accounting Practice 12 (Revised). No restatement was made in 2001 in respect of the change in accounting policy as the directors of the Company considered it is not practical to do so.

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