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GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

MAJOR TRANSACTION
ACQUISITION OF SHAREHOLDING INTEREST IN
CHINA ROPE HOLDINGS LIMITED

28th November, 2008

CONTENT

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of 70% of the issued share capital of China Rope by the Company from Bridon HK as contemplated under the Sale and Purchase Agreement;
"Balance"	the Dividend less the amount used to settle the Group Loans;
"Board"	the Board of Directors;
"Business Day"	a day (other than Saturday or Sunday) on which banks are generally open in Hong Kong for normal business;
"Bridon HK"	Bridon Hong Kong Limited, a company incorporated in Hong Kong;
"Bridon PLC"	Bridon PLC, a company incorporated in England;
"Bridon Tianjin JV"	Bridon Tianjin Rope Ltd. (布頓(天津)鋼絲繩有限公司), a sino-foreign equity joint venture established in the PRC;
"China Rope"	China Rope Holdings Limited, a company incorporated in Hong Kong;
"Company"	Golik Holdings Limited, an exempted company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange;
"Completion"	completion of the Sale and Purchase Agreement;
"Consideration"	the consideration for the Acquisition;
"Deed of Undertaking"	a deed of undertaking to be executed by China Rope in favour of Bridon HK on Completion in consideration of deferral of the amounts under the Promissory Notes and in support of the security under the Share Mortgage securing such deferred partial consideration for the Acquisition;
"Director(s)"	the director(s) of the Company;

"Dividend"	the special dividend payable by Bridon Tianjin JV to China Rope in the amount of HK$8,531,500;
"Enlarged Group"	the Group as enlarged by the Acquisition;
"First Promissory Note"	a promissory note to be executed by the Company in favour of Bridon HK in the principal amount of HK$12,000,000 maturing on 31st March, 2009;
"Group"	the Company and its subsidiaries; and members of the Group shall be construed accordingly;
"Group Loans"	the sum of (i) HK$1,166,666.76 owed by China Rope to a bank; (ii) HK$1,913,493.06 owed by China Rope to Bridon HK; and (iii) HK$1,238,672.72 owed by China Rope to Bridon International Limited, together with interest accrued thereon up to and including the date of settlement;
"Guarantee"	a guarantee in the amount of RMB7,000,000 (equivalent to approximately HK$7,910,000) provided by Bridon International Limited in favour of a bank in respect of the Target Group's obligations under the loan;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC;
"Indemnity"	the deed of indemnity in the amount of HK$10,000,000 provided by Vendor's Group to a bank;
"Latest Practicable Date"	26th November, 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Letters of Credit"	a standby letter of credit in the amount of HK$5,000,000 dated 23rd May, 2008 issued by a bank at the request of Bridon HK and an amended standby letter of credit in the amount of HK$7,000,000 dated 30th May, 2008 issued by a bank at the request of Bridon HK;

"Licence Agreement"	a trade mark licence agreement to be entered into between Bridon PLC as licensor and Bridon Tianjin JV as licensee on Completion in relation to the non-exclusive licence to use the Trade Marks to manufacture, distribute, market and sell elevator ropes in the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mortgaged Shares"	12,713,998 ordinary shares of HK$1.00 each in the issued share capital of China Rope, representing 70% of the issued share capital of China Rope;
"Mr. Pang"	Mr. Pang Tak Chung, an executive Director;
"PRC"	The People's Republic of China, which for the sole purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Promissory Notes"	the First Promissory Note and the Second Promissory Note;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement dated 18th November, 2008 entered into between the Company and Bridon HK in relation to the Acquisition;
"Second Promissory Note"	a promissory note to be executed by the Company in favour of Bridon HK in the principal amount of HK$9,328,750 maturing on 31st July, 2009;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the issued share capital of the Company;
"Share Mortgage"	a share mortgage to be executed by the Company in favour of Bridon HK in respect of the Mortgaged Shares on Completion;
"Shareholder(s)"	holder(s) of Share(s);

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Group" or "China Rope Group"	China Rope and Bridon Tianjin JV;
"Trade Marks"	the word mark of "Bridon" (registration number 3853514) and the logo mark of "Bridon Blue Strand" with a picture (registration number 3853513) owned and registered by Bridon PLC in the PRC;
"US$"	United States dollars, the lawful currency of the United States of America; and
"Vendor's Group"	Bridon HK, its subsidiaries and holding companies and subsidiaries of such holding companies from time to time, excluding the Target Group.

GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1118)

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

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

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

28th November, 2008

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION ACQUISITION OF SHAREHOLDING INTEREST IN CHINA ROPE HOLDINGS LIMITED

INTRODUCTION

The Company announced on 18th November, 2008 that the Company entered into the Sale and Purchase Agreement with Bridon HK pursuant to which Bridon HK has agreed to sell and the Company has agreed to acquire 70% of the issued share capital of China Rope at a consideration of HK$29,860,250 less the Group Loans.

Since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements in accordance with the Listing Rules.

As at the Latest Practicable Date, Mr. Pang and Golik Investments Ltd., a company wholly owned by Mr. Pang, hold 137,404,708 Shares and 195,646,500 Shares respectively, representing an aggregate of approximately 58.70% of the entire issued share capital of the Company. Since none of the Shareholders is required to abstain from voting on the Acquisition, written approval of Mr. Pang and Golik Investments Ltd. has been obtained for the purpose of approving the Acquisition in lieu of an approval from the Shareholders at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with further particulars of the Acquisition.

THE SALE AND PURCHASE AGREEMENT

Date: 18th November, 2008

Parties:

(1) Vendor: Bridon HK

(2) Purchaser: The Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Bridon HK and its ultimate beneficial owners is a third party independent of the Company and its connected persons. Bridon HK is a member of the Bridon group of companies, a specialist in the manufacture of steel wire and wire rope solutions, whose ultimate parent company is Melrose PLC which is listed on the London Stock Exchange.

Subject

12,713,998 shares in the issued share capital of China Rope, representing 70% of the issued share capital of China Rope.

Consideration

The Consideration shall be HK$29,860,250 less the Group Loans and shall be payable as follows:

(a) 70% of the Balance (representing Bridon HK's share of the Balance) shall be payable in cash by China Rope to Bridon HK on Completion;

(b) 30% of the Balance (representing the Company's share of the Balance) shall be payable in cash by China Rope to Bridon HK on Completion;

(c) HK$12,000,000 shall be satisfied by the issue of the First Promissory Note by the Company on Completion; and

(d) HK$9,328,750 shall be satisfied by the issue of the Second Promissory Note by the Company on Completion.

The Consideration was determined after arm's length negotiation with reference to the net asset value of China Rope's principal subsidiary, Bridon Tianjin JV and shall be funded by internal resources of the Group after the Acquisition.

Conditions

The Acquisition is conditional upon:

(a) the passing at a general meeting of the Company of a resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules or where applicable, a written approval by Mr. Pang and Golik Investments Ltd., which in aggregate are interested in approximately 58.70% of the issued share capital of the Company as at the Latest Practicable Date, approving the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules;

(b) Bridon HK and the Vendor's Group having been released, at the expense of the Company or Bridon Tianjin JV, from all of their obligations and undertakings under the Guarantee, the Indemnity and the Letters of Credit;

(c) Bridon Tianjin JV having sold and delivered to Bridon HK all crane rope stock held by Bridon Tianjin JV as at 30th September, 2008 which shall be in a condition acceptable to Bridon HK and shall be free of rust and corrosion;

(d) the payment of the Dividend by Bridon Tianjin JV to China Rope; and

(e) the application of such portion of the Dividend as required by China Rope towards full and final settlement of the Group Loans.

Bridon HK may waive conditions (b) to (e) (either in whole or in part) at any time by notice in writing to the Company. Each of the parties shall use reasonable endeavours to procure (so far as it is so able to procure) that the conditions are satisfied on or before 30th November, 2008 or in circumstances where a written approval pursuant to Rule 14.44 of the Listing Rules is not acceptable to the Stock Exchange and a general meeting of the Company has to be convened for the purpose of approving the Sale and Purchase Agreement and the transactions contemplated thereunder, on or before 15th December, 2008 (or such later date as the parties may agree in writing).

As at the Latest Practicable Date, all of the conditions precedent have been fulfilled.

Completion

Completion shall take place on the third Business Day after the day on which all the conditions set out above have been fulfilled or, where permitted, waived (or at such other date as Bridon HK and the Company may agree).

Other terms

The Sale and Purchase Agreement contains the following post-completion covenants:

(a) If it is established at any time after Completion that any indebtedness of any kind (whether or not presently payable) was owing at Completion by any member of the Target Group to any member of the Vendor's Group, then the Company shall procure that that indebtedness is discharged or otherwise eliminated at no cost to the Vendor's Group;

(b) As soon as practicable after Completion and in any event on or before the maturity date of the Second Promissory Note, the Company shall procure that the Chinese and English names of Bridon Tianjin JV be changed such that the name "布頓" and "Bridon" will not be used in the Chinese and English names of Bridon Tianjin JV, respectively, after the maturity date of the Second Promissory Note. Upon completion of such change of name, the Company shall forthwith provide evidence reasonably satisfactory (including, without limitation, a new business licence of Bridon Tianjin JV) to Bridon HK in respect of such change of name. The Company shall keep Bridon HK informed of the progress of such change of name upon the request of Bridon HK;

(c) Subject to subparagraph (b) set out above and the Licence Agreement, with effect from Completion, the Company shall procure that none of the members of the Target Group:

    (i) shall use or display any name, mark or logo (including, without limitation, "Bridon") which is the same as or similar to, or is likely to be confused or associated with, any name, mark or logo of a member of the Vendor's Group; or

    (ii) shall represent that Bridon HK or any member of the Vendor's Group retains any connection with the Target Group,

    in each case, save with the prior written consent of Bridon HK or the relevant member of the Vendor's Group;

(d) As soon as practicable after Completion and in any event on or before 31st December, 2008, the Company shall procure that the resignation of each of Messrs. Cheung Sui Leung, Stephen John Brimble, Tom McBride and John Jiang as directors of Bridon Tianjin JV be registered with the relevant PRC authority. Upon completion of such registration, the Company shall forthwith provide evidence thereof to Bridon HK and shall take such other actions as are necessary to ensure that the resignation of those individuals as directors is reflected in the official records of Bridon Tianjin JV; and

(e) As soon as practicable after Completion and in any event within 21 days of Completion, the Company shall, at its own cost register the Share Mortgage with the Registrar of Companies in Bermuda and the Companies Registry in Hong Kong and, in each case, forthwith provide evidence of such registration to Bridon HK.

Share Mortgage

The Share Mortgage shall be executed by the Company in favour of Bridon HK on Completion pursuant to which the Company (i) mortgages and agrees to mortgage, by way of first legal mortgage, the Mortgaged Shares in favour of Bridon HK; and (ii) (to the extent that they are not the subject of the mortgage under (i) above) mortgages, charges and assigns and agrees to mortgage, charge and assign, by way of first fixed charge, all its interests in any dividend, interest or other rights, money or property accruing therefrom in favour of Bridon HK as continuing security for the payment and discharge of all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of:

(a) the Company to Bridon HK under the Sale and Purchase Agreement and the Promissory Notes;

(b) Bridon Tianjin JV to Bridon PLC under the Licence Agreement; and

(c) China Rope to Bridon HK under the Deed of Undertaking.

Transfer of Mortgaged Shares

The Company may transfer all or part of the Mortgaged Shares to any member of the Group provided that (i) a new share mortgage shall be executed by the transferee in favour of Bridon HK in respect of the relevant number of shares on terms substantially similar to the Share Mortgage and on no less favourable terms to Bridon HK but with such additional terms in connection with perfection as may be required by Bridon HK; (ii) the new share mortgage shall be registered with the relevant authorities within the timeline as prescribed by the relevant laws and regulations; (iii) the transferee shall transfer the shares to another member of the Group prior to it ceasing to be a member of the Group and that a new share mortgage shall be executed by the new transferee in favour of Bridon HK in respect of the relevant number of shares on terms substantially similar to the Share Mortgage and on no less favourable terms to Bridon HK but with such additional terms in connection with perfection as may be required by Bridon HK and that the new share mortgage shall be registered with the relevant authorities within the timeline as prescribed by the relevant laws and regulations; and (iv) 14 days prior written notice has been provided to Bridon HK.

The Company may transfer all or part of the Mortgaged Shares to any person who is not a member of the Group provided that the transfer shall be at a price not less than the net asset value of each ordinary share in the capital of China Rope as at the date of Completion; and that the transfer shall be conditional on the application of the sale proceeds towards discharge (in whole or in part) of the Share Mortgage; and 14 days prior written notice has been provided to Bridon HK.

Licence Agreement

The Licence Agreement shall be entered into between Bridon PLC as licensor and Bridon Tianjin JV as licensee on Completion in relation to the non-exclusive licence to use the Trade Marks to manufacture, distribute, market and sell (or any of those activities) elevator ropes in the PRC at a licence fee of RMB3,800,000 (equivalent to approximately HK$4,294,000) which shall become payable by Bridon Tianjin JV to Bridon PLC on Completion but payment of such licence fee shall be deferred to after 31st March, 2009 and until the earlier of:

(a) the date which is 14 days after the registration of the Licence Agreement and the receipt of approval from the State Administration for Foreign Exchange in respect of the remittance of such licence fee (provided that if this date occurs prior to 31st March, 2009, payment of licence fee shall be deferred until 1st April, 2009); and

(b) 31st July, 2009.

In any event, the abovementioned licence fee shall not be refundable on termination of the Licence Agreement.

The Licence Agreement shall come into effect upon execution and shall terminate on 30th July, 2011. Bridon PLC shall have the right to terminate the Licence Agreement immediately on notice upon occurrence of the following events:

(a) any change (direct or indirect) in the equity holding of Bridon Tianjin JV or in any of its equity holders except where prior written consent of Bridon PLC has been obtained or such change is permissible under the Sale and Purchase Agreement and/or the Share Mortgage;

(b) a material breach of the Share Mortgage; or

(c) the termination of the Sale and Purchase Agreement.

Bridon PLC shall have the right to terminate the Licence Agreement if Bridon Tianjin JV directly or indirectly challenges the validity of the Trade Marks.

Bridon Tianjin JV shall have the right to terminate the Licence Agreement by giving not less than 30 days written notice to Bridon PLC.

Either Bridon PLC or Bridon Tianjin JV shall have the right to terminate the Licence Agreement immediately by written notice to the other:

(a) if the other party is in material or persistent breach of the Licence Agreement and, in the case of any material breach, either that breach is incapable of remedy or the other party shall have failed to remedy that breach within 30 days after receiving written notice requiring it to remedy that breach; or

(b) if the other party being a company is unable to pay its debts or becomes insolvent or an order or an application is made or a resolution passed for the administration, winding-up or dissolution of the other party (otherwise than for the purposes of a solvent amalgamation or reconstruction) or an administrative or other receiver, manager, liquidator, administrator, trustee or similar officer is appointed over all or any of the assets of the other party or an application or a winding-up or administration petition presented in relation to it or has documents filed with a court for an administration in relation to it or the other party enters into or proposes any composition or arrangement with its creditors generally or anything analogous to the foregoing occurs in any applicable jurisdiction.

Deed of Undertaking

The Deed of Undertaking shall be executed by China Rope in favour of Bridon HK on Completion in relation to, amongst others, (i) the maintenance of the status and compliance with laws by China Rope; (ii) the punctual filing of tax returns and prompt payment of all taxes and other liabilities; and (iii) the restriction on creating any security interest on any of its assets, disposing of all or any of the assets, changing the general nature or scope of its business, incurring further indebtedness and entering into transactions similar to creating security on the assets or receivables of China Rope for the primary purpose of raising finance or financing the acquisition of an asset, in consideration of deferral of the amounts under the Promissory Notes and in support of the security under the Share Mortgage securing such deferred partial consideration for the Acquisition.

INFORMATION ON TARGET GROUP

China Rope is a company incorporated in Hong Kong. As at the Latest Practicable Date, China Rope is owned as to 70% by Bridon HK and as to 30% by the Company. Upon Completion, China Rope will become a wholly-owned subsidiary of the Company.

Bridon Tianjin JV is a sino-foreign equity joint venture established in the PRC on 11th January, 2002. As at the date of this announcement, the equity interest of Bridon Tianjin JV is held as to 75.5% by China Rope and as to 24.5% by Tianjin Steel Wire and Cable Group Ltd.* 天津鋼綫鋼纜集團有限公司 (Now known as Tianjin Metallurgy Steel Wire and Cable Group Ltd.* 天津冶金鋼綫鋼纜集團有限公司). The registered capital of Bridon Tianjin JV is US$2,000,000. Bridon Tianjin JV is engaged in the manufacture and sale of steel wire ropes for elevators.

The audited net asset value of the Target Group as at 31st March, 2008 was HK$43,567,000. The audited net asset value of the Target Group as at 30th June, 2008 was HK$48,617,000. The Directors are of the view that there is no material change in financial condition of the Target Group after 31st March, 2008.

The consolidated profit before and after taxation of the Target Group for the two years ended 31st March, 2008 were:

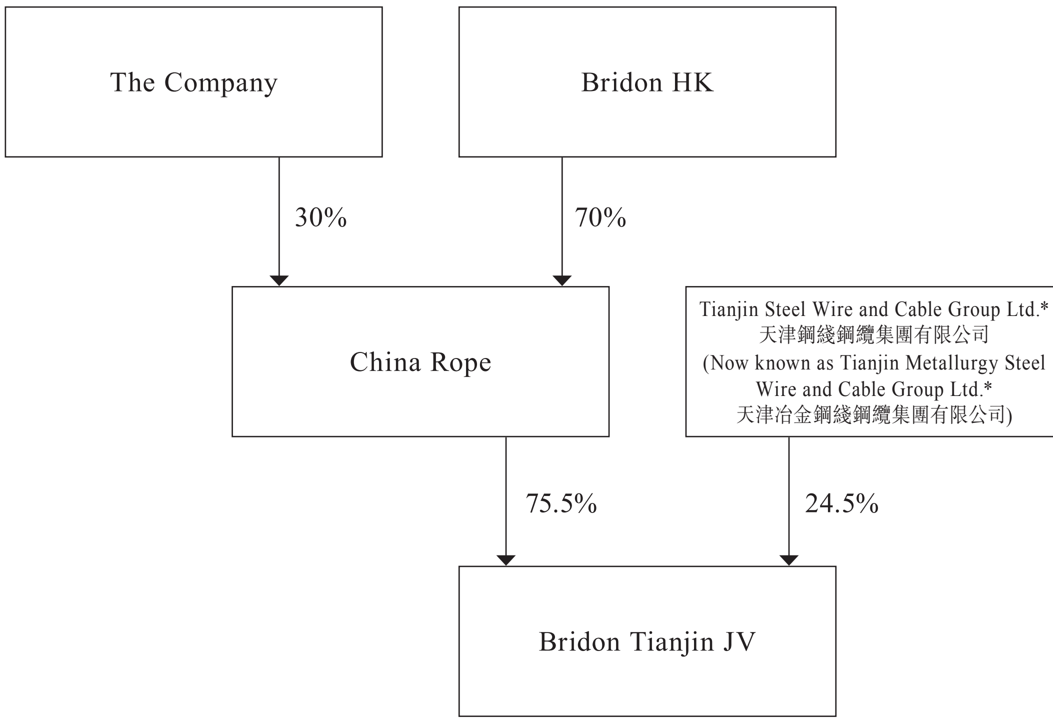
	For the year ended 31st March, 2007 (Audited)	**For the year ended 31st March, 2008 (Audited)**
Profit before taxation	HK$7,727,000	HK$15,000,000
Profit after taxation	HK$7,051,000	HK$13,468,000

The Directors confirm that the reporting accountant has not given any qualified audit opinion in the accountant's report of the Target Group.

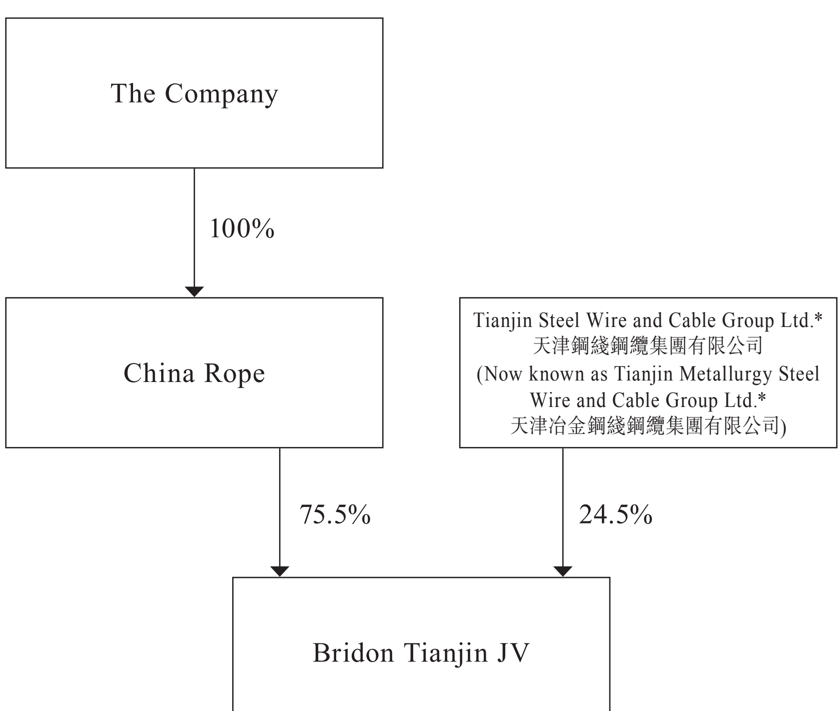
* *for identification purpose*

GROUP STRUCTURE BEFORE AND AFTER COMPLETION OF THE SALE AND PURCHASE AGREEMENT

Before completion of the Sale and Purchase Agreement:



After completion of the Sale and Purchase Agreement:



* *for identification purpose*

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the market segment of China Rope has demonstrated a strong growth trend over the past few years and the manufacture and sale of steel wire ropes for elevators will continue to be a highly profitable industry with high turnover and profit margins. The Directors are of the view that the operating results of China Rope will continue to grow despite the recent slowdown of the overall economic performance in the PRC. Besides, the Directors believe that the Acquisition will provide the Group with opportunities for future expansion and to obtain a greater market share in the industry in the PRC which is in line with the Group's business strategy and expansion plan in the PRC.

In view of the above potential benefits and synergies, the Directors (including the non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms, and are in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Based on the unaudited pro forma statement of adjusted consolidated net assets of the Group as set out in Appendix III to this circular, the unaudited consolidated net assets of the Group prior to the Acquisition were approximately HK$614,878,000, representing approximately HK$0.11 per Share (on the basis of 567,362,500 Shares in issue as at the Latest Practicable Date) and the unaudited pro forma adjusted consolidated net assets of the Enlarged Group after the Acquisition were approximately HK$637,165,000, representing approximately HK$0.11 per Share (on the basis of 567,362,500 Shares in issue as at the Latest Practicable Date). Save as disclosed above, the Acquisition is not expected to have any other material impact on the earnings, assets and liabilities of the Group.

INFORMATION ON THE GROUP

The Group is principally engaged in manufacturing and sales of steel and metal products and construction materials.

LISTING RULES IMPLICATIONS

Since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements in accordance with the Listing Rules.

As at the Latest Practicable Date, Mr. Pang and Golik Investments Ltd., a company wholly owned by Mr. Pang, hold 137,404,708 Shares and 195,646,500 Shares respectively, representing an aggregate of approximately 58.70% of the entire issued share capital of the Company. Since none of the Shareholders is required to abstain from voting on the Acquisition, written approval of Mr. Pang and Golik Investments Ltd. has been obtained for the purpose of approving the Acquisition in lieu of an approval from the Shareholders at a shareholders' meeting pursuant to Rule 14.44 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
GOLIK HOLDINGS LIMITED
Pang Tak Chung
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The table set out below is the summary of the financial information of the Group for the three years ended 31st December, 2005, 31st December, 2006 and 31st December, 2007, and for the six months ended 30th June, 2007 and 30th June, 2008, as extracted from the annual report of the Company for the years ended 31st December, 2006 and 31st December, 2007 and the interim report of the Company for the six months ended 30th June, 2008.

(i) Consolidated income statements

	Year ended 31st December,			Six months ended 30th June,	
	2005	**2006**	**2007**	**2007**	**2008**
	(audited)	**(audited)**	**(audited)**	**(unaudited)**	**(unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	2,278,449	2,053,862	2,728,040	1,151,043	1,804,172
Cost of sales	(2,004,502)	(1,787,956)	(2,510,794)	(1,038,965)	(1,628,512)
Gross profit	273,947	265,906	217,246	112,078	175,660
Other income	28,310	28,133	27,616	13,964	12,226
Interest income	1,889	2,905	2,783	1,197	976
Selling and distribution costs	(70,286)	(69,824)	(77,079)	(32,773)	(44,071)
Administrative expenses	(125,777)	(128,905)	(113,087)	(57,321)	(79,395)
Gain (loss) on disposal of property, plant and equipment, prepaid lease payments and assets classified as held for sale	(4,578)	(11,906)	4,875	72	6,045
Increase (decrease) in fair value on investment properties	(970)	(500)	2,910	—	—
Discount on acquisition of additional interest in a subsidiary	—	5,696	—	—	—

	Year ended 31st December, 2005 (audited) HK$'000	2006 (audited) HK$'000	2007 (audited) HK$'000	Six months ended 30th June, 2007 (unaudited) HK$'000	2008 (unaudited) HK$'000
Impairment loss on goodwill	(10,184)	(6,500)	(1,500)	(900)	(1,500)
Finance costs	(31,066)	(32,208)	(35,076)	(15,483)	(19,867)
Gain on disposal of subsidiaries	2,406	—	—	—	—
Share of results of jointly controlled entities	60	244	176	114	15
Share of results of associates	1,218	1,454	2,150	667	1,968
Profit before taxation	64,969	54,495	31,014	21,615	52,057
Income taxes	(8,351)	(6,236)	(807)	(1,791)	(5,494)
Profit for the year/ period	56,618	48,259	30,207	19,824	46,563
Attributable to:					
Equity holders of the Company	32,399	41,064	27,585	17,561	38,601
Minority interests	24,219	7,195	2,622	2,263	7,962
	56,618	48,259	30,207	19,824	46,563
Dividend					
Paid	—	11,347	12,482	12,460	6,808
Proposed	11,347	12,482	6,808	—	—
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings per share					
Basic	5.71	7.24	4.86	3.10	6.80

(ii) Consolidated balance sheet

	31st December, 2005 (audited) HK$'000	2006 (audited) HK$'000	2007 (audited) HK$'000	30th June, 2008 (unaudited) HK$'000
Non-current Assets				
Goodwill	13,494	6,994	5,563	4,063
Investment properties	26,400	25,900	17,310	17,310
Property, plant and equipment	267,135	239,905	225,077	245,208
Prepaid lease payments	48,987	47,911	33,276	33,769
Interests in jointly controlled entities	1,359	1,603	1,779	1,794
Interests in associates	5,253	6,707	8,857	10,825
Long-term receivables	823	155	2,356	1,113
Rental and other deposits	830	1,091	1,368	1,267
Deposits paid for acquisition of property, plant and equipment	—	—	10,524	6,655
	364,281	330,266	306,110	322,004
Current Assets				
Inventories	309,368	298,222	325,489	520,733
Trade and other receivables	424,840	453,074	644,722	603,071
Amounts due from jointly controlled entities	6,914	6,962	7,009	7,014
Amount due from an associate	682	494	527	—
Prepaid lease payments	1,192	1,187	837	859
Income tax recoverable	148	141	2,258	120
Derivative financial instruments	4	—	—	253
Pledged bank deposits	23,604	23,707	6,846	72,622
Bank balances and cash	124,845	143,481	163,279	164,726
	891,597	927,268	1,150,967	1,369,398
Assets classified as held for sale	—	—	22,484	—
	891,597	927,268	1,173,451	1,369,398

	31st December, 2005 (audited) HK$'000	2006 (audited) HK$'000	2007 (audited) HK$'000	30th June, 2008 (unaudited) HK$'000
Current Liabilities				
Trade and other payables	188,488	194,496	248,232	264,595
Amounts due to minority shareholders	4,091	2,791	3,779	3,360
Amount due to an associate	—	—	—	803
Income tax payable	812	3,561	1,496	2,649
Derivate financial instruments	—	322	13	—
Bank borrowings	500,929	485,150	640,417	762,974
Obligations under finance lease	4,942	3,110	2,340	2,235
Bank overdrafts — unsecured	2,905	532	738	7,121
	702,167	689,962	897,015	1,043,737
Net Current Assets	189,430	237,306	276,436	325,661
	553,711	567,572	582,546	647,665
Capital and Reserves				
Share capital	56,736	56,736	56,736	56,736
Share premium and reserves	369,049	402,801	427,063	468,781
Equity attributable to equity holders of the Company	425,785	459,537	483,799	525,517
Minority interests	102,833	82,600	79,344	89,361
Total Equity	528,618	542,137	563,143	614,878
Non-current Liabilities				
Deferred tax liabilities	11,713	11,735	11,163	11,209
Bank borrowings	8,768	9,613	5,838	20,296
Obligations under finance leases	4,612	4,087	2,402	1,282
	25,093	25,435	19,403	32,787
	553,711	567,572	582,546	647,665

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31ST DECEMBER, 2007

Set out below is the audited consolidated financial statements of the Group for the year ended 31st December, 2007 together with the notes therein, which are extracted from the annual report of the Company for the year ended 31st December, 2007.

Consolidated Income Statement
For the year ended 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	5	2,728,040	2,053,862
Cost of sales		(2,510,794)	(1,787,956)
Gross profit		217,246	265,906
Other income	6	27,616	28,133
Interest income		2,783	2,905
Selling and distribution costs		(77,079)	(69,824)
Administrative expenses		(113,087)	(128,905)
Gain (loss) on disposal of property, plant and equipment and prepaid lease payments		4,875	(11,906)
Increase (decrease) in fair value on investment properties		2,910	(500)
Discount on acquisition of additional interest in a subsidiary		—	5,696
Impairment loss on goodwill		(1,500)	(6,500)
Finance costs	7	(35,076)	(32,208)
Share of results of jointly controlled entities		176	244
Share of results of associates		2,150	1,454
Profit before taxation		31,014	54,495
Income taxes	8	(807)	(6,236)
Profit for the year	9	30,207	48,259
Attributable to:			
Equity holders of the Company		27,585	41,064
Minority interests		2,622	7,195
		30,207	48,259
Dividend	12		
Paid		12,482	11,347
Proposed		6,808	12,482
		HK cents	HK cents
Earnings per share	13		
Basic		4.86	7.24

Consolidated Balance Sheet

At 31st December, 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current Assets			
Goodwill	14	5,563	6,994
Investment properties	15	17,310	25,900
Property, plant and equipment	16	225,077	239,905
Prepaid lease payments	17	33,276	47,911
Interests in jointly controlled entities	18	1,779	1,603
Interests in associates	19	8,857	6,707
Long-term receivables	20	2,356	155
Rental and other deposits		1,368	1,091
Deposits paid for acquisition of property, plant and equipment		10,524	—
		306,110	330,266
Current Assets			
Inventories	21	325,489	298,222
Trade and other receivables	22	644,722	453,074
Amounts due from jointly controlled entities	23	7,009	6,962
Amount due from an associate	24	527	494
Prepaid lease payments	17	837	1,187
Income tax recoverable		2,258	141
Pledged bank deposits	25	6,846	23,707
Bank balances and cash	26	163,279	143,481
		1,150,967	927,268
Assets classified as held for sale	27	22,484	—
		1,173,451	927,268
Current Liabilities			
Trade and other payables	28	248,232	194,496
Amounts due to minority shareholders	29	3,779	2,791
Income tax payable		1,496	3,561
Derivative financial instruments	30	13	322
Bank borrowings	31	640,417	485,150
Obligations under finance leases	32	2,340	3,110
Bank overdrafts — unsecured		738	532
		897,015	689,962
Net Current Assets		276,436	237,306
		582,546	567,572

	Notes	2007 HK$'000	2006 HK$'000
Capital and Reserves			
Share capital	*33*	56,736	56,736
Share premium and reserves		427,063	402,801
Equity attributable to equity holders of the Company		483,799	459,537
Minority interests		79,344	82,600
Total Equity		563,143	542,137
Non-current Liabilities			
Deferred tax liabilities	*35*	11,163	11,735
Bank borrowings	*31*	5,838	9,613
Obligations under finance leases	*32*	2,402	4,087
		19,403	25,435
		582,546	567,572

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2007

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (note)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2006	56,736	318,118	19,566	2,326	1,820	27,219	425,785	102,833	528,618
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	4,035	—	—	4,035	1,266	5,301
Profit for the year	—	—	—	—	—	41,064	41,064	7,195	48,259
Total recognised profit for the year	—	—	—	4,035	—	41,064	45,099	8,461	53,560
Retained profits transferred to revenue reserve	—	—	—	—	1,569	(1,569)	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(15,944)	(15,944)
Dividend paid	—	—	—	—	—	(11,347)	(11,347)	—	(11,347)
Acquisition of additional interest in a subsidiary from minority shareholder	—	—	—	—	—	—	—	(12,750)	(12,750)
At 31st December, 2006	56,736	318,118	19,566	6,361	3,389	55,367	459,537	82,600	542,137
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	9,159	—	—	9,159	2,041	11,200
Profit for the year	—	—	—	—	—	27,585	27,585	2,622	30,207
Total recognised profit for the year	—	—	—	9,159	—	27,585	36,744	4,663	41,407
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(6,900)	(6,900)
Dividend paid	—	—	—	—	—	(12,482)	(12,482)	—	(12,482)
Acquisition of additional interest in a subsidiary from minority shareholder	—	—	—	—	—	—	—	(1,019)	(1,019)
At 31st December, 2007	56,736	318,118	19,566	15,520	3,389	70,470	483,799	79,344	563,143

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

Consolidated Cash Flow Statement

For the year ended 31st December, 2007

	2007	2006
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Profit before taxation	31,014	54,495
Adjustments for:		
Amortisation of prepaid lease payments	1,199	1,187
Change in fair value of derivative financial instruments	(309)	326
Write down of inventories	4,080	2,200
Depreciation	35,838	35,861
(Write back of) allowance for bad and doubtful debts	(4,634)	3,630
Interest income	(2,783)	(2,905)
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(4,875)	11,906
(Increase) decrease in fair value of investment properties	(2,910)	500
Discount on acquisition of additional interest in a subsidiary	—	(5,696)
Impairment loss on goodwill	1,500	6,500
Unrealised foreign exchange gain	(2,527)	(1,990)
Finance costs	35,076	32,208
Share of results of jointly controlled entities	(176)	(244)
Share of results of associates	(2,150)	(1,454)
Operating cash flows before movements in working capital	88,343	136,524
(Increase) decrease in inventories	(27,073)	11,018
Increase in trade and other receivables	(179,247)	(30,417)
Increase in amount due from jointly controlled entities	(47)	(48)
(Increase) decrease in amount due from an associate	(33)	188
Increase (decrease) in trade and other payables	49,151	(754)
Cash (used in) generated from operations	(68,906)	116,511
Hong Kong Profits Tax paid	(3,515)	(2,690)
Taxation outside Hong Kong paid	(2,274)	(921)
Hong Kong Profits Tax refunded	2	79
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(74,693)	112,979

	2007	2006
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(24,336)	(12,491)
Deposits paid for acquisition of property, plant and equipment	(10,524)	—
Decrease in pledged bank deposits	18,587	735
Advance of loans	(250)	—
Proceeds from disposal of property, plant and equipment and prepaid lease payments	5,543	2,097
Proceeds from disposal of investment properties	11,500	—
Repayment of loans advanced	1,036	3,836
Interest received	2,758	2,967
Consideration on acquisition of additional interest in a subsidiary	(1,088)	(4,235)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	3,226	(7,091)
FINANCING ACTIVITIES		
Bank loans raised	180,600	184,738
Mortgage loans raised	—	12,000
Repayment of bank loans	(182,673)	(204,584)
Interest paid	(34,480)	(32,753)
Dividend paid to minority shareholders of subsidiaries	(6,900)	(15,944)
Dividend paid	(12,482)	(11,347)
Net borrowing (repayment) of trust receipt loans	148,528	(3,710)
Repayment of mortgage loans	(2,217)	(6,475)
Repayment of obligations under finance leases	(3,226)	(7,410)
Advance from (repayment to) minority shareholders	864	(1,367)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	88,014	(86,852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,547	19,036
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	142,949	121,940
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,045	1,973
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	162,541	142,949
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	163,279	143,481
Bank overdrafts	(738)	(532)
	162,541	142,949

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2007

1. GENERAL

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

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

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

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

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

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

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions[3]
HK(IFRIC) — Int 12	Service Concession Arranagements[4]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

[1] Effective for annual periods beginning on or after 1st January, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009
[3] Effective for annual periods beginning on or after 1st March, 2007
[4] Effective for annual periods beginning on or after 1st January, 2008
[5] Effective for annual periods beginning on or after 1st July, 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Acquisition of additional interest in a subsidiary

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

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

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

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

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

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

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

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

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

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

Investments in associates

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Interests in jointly controlled entities

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

Revenue recognition

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

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

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

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 valuation of property, plant and equipment other than assets under installation and construction in progress over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% — $33^1/_3$%
Motor vehicles	10% — $33^1/_3$%
Plant and machinery and equipment	5% — 50%

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease.

Impairment losses-other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revalued decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revalued increase.

Inventories

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

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

Assets classified as held for sale

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

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

Financial instruments

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

Financial assets

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

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

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

Effective interest method

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

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

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

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

Equity instruments

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

Derivative financial instruments

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

Derecognition

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement pension schemes for staff in the PRC are charged as an expense when employees have rendered service entitling them to the contribution.

Borrowing costs

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

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

Taxation

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

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

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2007, the carrying amount of goodwill is HK$5,563,000 (2006: HK$6,994,000) (net of accumulated impairment loss of HK$28,792,000 (2006: HK$27,294,000)). Details of the recoverable amount calculation are disclosed in note 14.

Income taxes

As at 31st December, 2007, a deferred tax asset of HK$7,737,000 (2006: HK$7,375,000) in relation to unused tax losses has been recognised in the Group's balance sheet. No deferred tax asset has been recognised on the tax losses of HK$664,217,000 (2006: HK$658,896,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a recognition takes place.

5. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

Business segments

For management purposes, the Group is organised into four operating divisions — manufacturing of steel and metal products, sales of steel and metal products, manufacturing of construction materials and sales of construction materials. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2007

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

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

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

Consolidated Balance Sheet

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

Other information

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	14,329	62	5,078	243	2,215	1,362	23,289
Depreciation	14,278	461	13,120	56	2,782	5,141	35,838
Amortisation of prepaid lease payments	536	—	567	—	—	96	1,199
Allowance for (write back of) bad and doubtful debts	561	246	(3,349)	(2,900)	480	328	(4,634)
Write down of (reversal of write down of) inventories	(416)	—	700	2,000	1,796	—	4,080
Increase in fair value on investment properties	—	—	—	—	—	(2,910)	(2,910)
Loss (gain) on disposal of property, plant and equipment	128	—	(5)	(4,891)	(16)	(91)	(4,875)

2006

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	1,056,011	88,505	252,423	470,961	185,962	—	2,053,862
Inter-segment sales	11,508	14,832	901	51,158	—	(78,399)	—
Total turnover	1,067,519	103,337	253,324	522,119	185,962	(78,399)	2,053,862

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

SEGMENT RESULT	62,780	5,036	5,250	31,629	6,975	(470)	111,200
Unallocated other income							5,212
Unallocated corporate expenses							(30,603)
Impairment loss on goodwill	—	—	(500)	—	(6,000)	—	(6,500)
Finance costs							(32,208)
Discount on acquisition of additional interest in a subsidiary	5,696	—	—	—	—	—	5,696
Share of results of jointly controlled entities	—	—	—	—	244	—	244
Share of results of associates	1,454	—	—	—	—	—	1,454
Profit before taxation							54,495
Income taxes							(6,236)
Profit for the year							48,259

Consolidated Balance Sheet

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
ASSETS							
Segment assets	578,534	42,241	194,687	105,773	112,343	(25,579)	1,007,999
Interests in jointly controlled entities	—	—	—	—	1,603	—	1,603
Interests in associates	6,707	—	—	—	—	—	6,707
Amounts due from jointly controlled entities	—	1,505	—	—	5,457	—	6,962
Amount due from an associate	494	—	—	—	—	—	494
Unallocated corporate assets							233,769
Consolidated total assets							1,257,534
LIABILITIES							
Segment liabilities	116,127	14,271	48,468	29,236	9,674	(24,758)	193,018
Unallocated corporate liabilities							522,379
Consolidated total liabilities							715,397

Other information

	Manufacturing of steel and metal products HK$'000	Sales of steel and metal products HK$'000	Manufacturing of construction materials HK$'000	Sales of construction materials HK$'000	Other operations HK$'000	Unallocated HK$'000	Consolidated HK$'000
Capital expenditures	4,073	—	4,245	41	10,783	75	19,217
Depreciation	14,120	1,298	12,552	57	1,872	5,962	35,861
Amortisation of prepaid lease payments	524	—	567	—	—	96	1,187
Allowance for (write back of) bad and doubtful debts	352	47	(610)	3,832	(20)	29	3,630
Write down of inventories	—	—	500	1,200	500	—	2,200
Decrease in fair value on investment properties	—	—	—	—	—	500	500
(Gain) loss on disposal of property, plant and equipment and prepaid lease payments	(709)	(86)	13	—	(37)	12,725	11,906

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	
	2007	2006
	HK$'000	*HK$'000*
Hong Kong	1,582,149	1,401,131
Other regions in the PRC	728,823	586,412
Australia	66,802	46,290
Macau	309,782	6,195
Others	40,484	13,834
	2,728,040	2,053,862

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	635,924	491,952	5,960	3,130
Other regions in the PRC	582,746	505,716	17,329	16,074
Australia	9,601	10,331	—	13
	1,228,271	1,007,999	23,289	19,217

6. OTHER INCOME

	2007	2006
	HK$'000	*HK$'000*
Included in other income are:		
Gross rental income from investment properties	651	627
Less: direct operating expenses from investment properties that generated rental income during the year	(61)	(112)
Net rental income from investment properties	590	515
Rental income from property, plant and equipment and prepaid lease payments	1,357	1,442
	1,947	1,957
Change in fair value of derivative financial instruments	(3,079)	(1,004)

7. FINANCE COSTS

	2007	**2006**
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	34,656	31,753
Finance leases	420	455
	35,076	32,208

8. INCOME TAXES

	2007	**2006**
	HK$'000	*HK$'000*
The charge comprises:		
Current year		
Hong Kong	1,338	4,900
Outside Hong Kong	1,988	1,950
	3,326	6,850
Overprovision in prior years		
Hong Kong	(1,653)	(614)
Outside Hong Kong	(246)	—
	1,427	6,236
Deferred tax *(note 35)*		
Current year	(620)	—
	807	6,236

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

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

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

On 16th March, 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate from 33% to 25% for certain subsidiaries from 1st January, 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

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

	Hong Kong		PRC and others		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before taxation	27,202	51,346	3,812	3,149	31,014	54,495
Domestic income tax rate	17.5%	17.5%	33%	33%		
Tax at the domestic income tax rate	4,760	8,986	1,258	1,039	6,018	10,025
Tax effect of share of results of jointly controlled entities and associates	(407)	(297)	—	—	(407)	(297)
Tax effect of expenses not deductible for tax purpose	431	1,349	251	50	682	1,399
Tax effect of income not taxable for tax purpose	(1,343)	(402)	(218)	(1)	(1,561)	(403)
Tax effect of offshore manufacturing profits on 50:50 apportionment basis	(1,894)	(5,344)	—	—	(1,894)	(5,344)
Tax effect of tax losses not recognised	5,255	4,764	3,400	2,472	8,655	7,236
Tax effect of utilisation of tax loss previously not recognised	(5,461)	(7,105)	(1,299)	(998)	(6,760)	(8,103)
Tax effect of other deductible temporary difference not recognised	—	683	—	324	—	1,007
Tax effect of utilisation of other deductible temporary difference previously not recognised	(508)	—	—	—	(508)	—
Effect of tax exemption granted to PRC subsidiaries	—	—	(472)	(357)	(472)	(357)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	—	—	(170)	—	(170)	—
Others	(114)	2,223	(763)	(579)	(877)	1,644
Overprovision in prior years	(1,653)	(571)	(246)	—	(1,899)	(571)
Income taxes for the year	(934)	4,286	1,741	1,950	807	6,236

Details of deferred taxation are set out in note 35.

9. PROFIT FOR THE YEAR

	2007	2006
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	1,199	1,187
Auditor's remuneration		
Current year	2,993	3,053
Underprovision in prior years	378	625
Cost of inventories recognised as expense including write down of inventories of HK$4,080,000 (2006: HK$2,200,000)	2,510,794	1,787,956
Depreciation	35,838	35,861
Minimum lease payments for operating leases in respect of		
Land and buildings	16,178	14,790
Plant and machinery	1,440	1,440
	17,618	16,230
Net exchange loss	116	1,522
Staff costs including directors' emoluments and contributions to retirement benefits scheme	98,527	99,565
(Write back of) allowance for bad and doubtful debts, net	(4,634)	3,630

Minimum lease payments for operating leases in respect of a director's accommodation amounting to HK$2,072,000 (2006: HK$2,381,000) are included under staff costs.

Of the consolidation profit for the year of HK$30,207,000 (2006: HK$48,259,000), a profit of HK$2,927,000 (2006: a loss of HK$13,663,000) has been dealt with in the financial statements of the Company.

10. DIRECTORS' EMOLUMENTS

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

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

	Pang Tak Chung HK$'000	Ho Wai Yu, Sammy HK$'000	John Cyril Fletcher HK$'000	Robert Keith Davies HK$'000	Yu Kwok Kan, Stephen HK$'000	Chan Yat Yan HK$'000	Lo Yip Tong HK$'000	2006 Total HK$'000
Fees	—	—	—	85	105	105	105	400
Other emoluments								
Salaries and other benefits	3,927	2,288	1,606	—	—	—	—	7,821
Contributions to retirement benefits schemes	153	127	55	—	—	—	—	335
	4,080	2,415	1,661	85	105	105	105	8,556

No director waived any emoluments for the two years ended 31st December, 2007.

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included two directors (2006: three directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining three individuals (2006: two individuals) are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	4,789	4,344
Contributions to retirement benefits scheme	36	24
	4,825	4,368

Their emoluments were within the following bands:

	2007 Number of employees	2006 Number of employees
HK$1,000,001 — HK$1,500,000	2	—
HK$1,500,001 — HK$2,000,000	—	1
HK$2,000,001 — HK$2,500,000	1	—
HK$2,500,001 — HK$3,000,000	—	1
	3	2

12. DIVIDEND

	2007	2006
	HK$'000	*HK$'000*
Dividend paid:		
Final dividend in respect of 2006, approved and paid		
— 2.2 HK cents per ordinary share	12,482	11,347
Dividend proposed:		
Final dividend proposed for the year		
— 1.2 HK cents (2006: 2.2 HK cents) per ordinary share	6,808	12,482

The directors recommend the payment of a final dividend of 1.2 HK cents per share for the year ended 31st December, 2007 and is subject to approval by the shareholders in the annual general meeting.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to the equity holders of the Company for the year and on the 567,362,500 (2006: 567,362,500) ordinary shares in issue.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2006 and at 31st December, 2006	34,288
Acquired on acquisition of additional interest in a subsidiary	69
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007	34,355
IMPAIRMENT	
At 1st January, 2006	20,794
Impairment loss recognised	6,500
At 31st December, 2006	27,294
Impairment loss recognised	1,500
Eliminated on deregistration of a subsidiary	(2)
At 31st December, 2007	28,792
CARRYING AMOUNT	
At 31st December, 2007	5,563
At 31st December, 2006	6,994

For the purposes of impairment testing, goodwill is allocated to two individual cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amounts of goodwill had been allocated to a subsidiary of manufacturing of construction materials segment (Unit A) and certain subsidiaries in other operations segment (Unit B) of HK$1,098,000 (2006: HK$1,298,000) and HK$4,465,000 (2006: HK$5,696,000) respectively.

During the year ended 31st December, 2007, the Group recognised an impairment loss of HK$200,000 (2006: HK$500,000) for Unit A and HK$1,300,000 (2006: HK$6,000,000) for Unit B due to increased competition in the business.

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

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses the estimation of the cash flow projections based on financial budgets approved by management covering a 5-year period and extrapolate the budgets using a steady growth rate of 3% for the subsequent 5 years, and a discount rate of 7% (2006: 9%). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a discount rate of 7% (2006: 9%). Another key assumption for the value in use calculations is the budgeted gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

15. INVESTMENT PROPERTIES

	2007	**2006**
	HK$'000	*HK$'000*
FAIR VALUE		
At beginning of the year	25,900	26,400
Disposal	(11,500)	—
Increase (decrease) in fair value	2,910	(500)
At end of the year	17,310	25,900

The Group's investment properties comprise:

	2007	**2006**
	HK$'000	*HK$'000*
Properties held under medium-term leases:		
In Hong Kong	14,660	11,900
Other regions in the PRC	2,650	2,500
Properties held under long leases in Hong Kong	—	11,500
	17,310	25,900

The fair value of the Group's investment properties as at 31st December, 2007 and 31st December, 2006 have been arrived at on the basis of a valuation carried out on that date by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. LCH (Asia- Pacific) Surveyors Limited, Chartered Surveyors are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST OR VALUATION								
At 1st January, 2006	94,042	22,873	15,922	50,348	294,010	12	4,156	481,363
Exchange differences	449	37	101	1,141	3,543	1	54	5,326
Additions	225	36	763	6,371	11,333	318	171	19,217
Disposals	—	—	(403)	(1,260)	(18,063)	—	—	(19,726)
Reclassification	—	—	—	—	1,547	(113)	(1,434)	—
At 31st December, 2006	94,716	22,946	16,383	56,600	292,370	218	2,947	486,180
Exchange differences	969	80	227	2,688	7,983	16	23	11,986
Additions	1,748	1,143	1,011	4,294	9,002	5,108	983	23,289
Disposals	(261)	(492)	(379)	(1,817)	(723)	—	—	(3,672)
Reclassification	—	87	—	—	1,532	(1,454)	(165)	—
Transfer to assets classified as held for sale	(9,370)	(264)	—	—	—	—	—	(9,634)
At 31st December, 2007	87,802	23,500	17,242	61,765	310,164	3,888	3,788	508,149
Comprising:								
At cost	2,392	23,500	17,242	61,765	310,164	3,888	3,788	422,739
At valuation-2004	85,410	—	—	—	—	—	—	85,410
	87,802	23,500	17,242	61,765	310,164	3,888	3,788	508,149
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2006	7,324	17,588	13,392	29,650	143,636	—	2,638	214,228
Exchange differences	45	7	68	662	1,501	—	—	2,283
Provided for the year	7,349	1,120	972	5,620	20,800	—	—	35,861
Eliminated on disposals	—	—	(376)	(799)	(4,922)	—	—	(6,097)
At 31st December, 2006	14,718	18,715	14,056	35,133	161,015	—	2,638	246,275
Exchange differences	161	23	166	1,645	3,902	—	—	5,897
Provided for the year	7,628	1,090	952	5,773	20,395	—	—	35,838
Eliminated on disposals	(261)	(472)	(368)	(1,195)	(708)	—	—	(3,004)
Transfer to assets classified as held for sale	(1,670)	(264)	—	—	—	—	—	(1,934)
At 31st December, 2007	20,576	19,092	14,806	41,356	184,604	—	2,638	283,072
CARRYING VALUES								
At 31st December, 2007	67,226	4,408	2,436	20,409	125,560	3,888	1,150	225,077
At 31st December, 2006	79,998	4,231	2,327	21,467	131,355	218	309	239,905

The carrying values of motor vehicles, plant and machinery and equipment of the Group include an amount of HK$783,000 (2006: HK$523,000) and HK$7,428,000 (2006: HK$10,400,000) respectively in respect of assets held under finance leases.

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

As at 31st December, 2007, the director considered that the fair values of the buildings do not differ materially from the respective carrying amounts.

At 31st December, 2007, 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$59,214,000 (2006: HK$70,429,000).

17. PREPAID LEASE PAYMENTS

	2007	2006
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong under medium-term lease	17,402	32,995
Land use right in the PRC under medium-term lease	16,711	16,103
	34,113	49,098
Analysed for reporting purposes as:		
Current asset	837	1,187
Non-current asset	33,276	47,911
	34,113	49,098

Prepaid lease payments with carrying values of HK$14,784,000 (2006: nil) have been transferred to assets classified as held for sale.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2007	2006
	HK$'000	*HK$'000*
Cost of investments (unlisted)	1,257	1,257
Share of post-acquisition profits	522	346
	1,779	1,603

Particulars of the jointly controlled entities as at 31st December, 2007 and 2006 are as follows:

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

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

	2007	**2006**
	HK$'000	*HK$'000*
Non-current assets	1,915	2,027
Current assets	4,480	4,264
Current liabilities	(3,804)	(3,942)
	2,591	2,349
Income	4,747	4,830
Expenses	(4,571)	(4,586)
Profit for the year	176	244

19. INTERESTS IN ASSOCIATES

	2007	**2006**
	HK$'000	*HK$'000*
Cost of investments (unlisted)	5,449	5,449
Share of net post-acquisition profits	4,822	2,672
Less: Unrealised gain on disposal of a subsidiary in prior years	(1,414)	(1,414)
	8,857	6,707

Particulars of the associates as at 31st December, 2007 and 2006 are as follows:

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Proportion of nominal value of issued capital/ registered capital held by the Group	Nature of business
China Rope Holdings Limited	Incorporated	Hong Kong	30%	Investment holding
Bridon Tianjin Rope Ltd.	Equity joint venture	PRC	22.65%	Manufacturing and sales of steel wire ropes for elevators

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

	2007	2006
	HK$'000	*HK$'000*
Non-current assets	25,679	21,316
Current assets	73,830	53,630
Current liabilities	(55,346)	(42,202)
Non-current liabilities	(1,050)	(1,750)
	43,113	30,994
Income	184,202	103,213
Expenses	(173,574)	(96,082)
Income taxes	(1,122)	(697)
Profit for the year	9,506	6,434

20. LONG-TERM RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Building mortgage loan *(note a)*	170	256
Other loans *(note b)*	2,089	2,788
Trade and other receivables *(note c)*	3,812	231
	6,071	3,275
Less: amounts due within one year shown under trade and other receivables	(3,715)	(3,120)
Amounts due after one year	2,356	155

Notes:

(a) The building mortgage loan bear interest at 3% (2006: 3%) above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009. The effective interest rate for the year is 11% (2006: 11%).

(b) Other loans are unsecured, bear fixed interest at 5% to 7% (2006: 4% to 6%) per annum. All are repayable within one year.

(c) The amounts are unsecured, interest free which aged over 120 days and are repayable by monthly instalments up to 2009.

21. INVENTORIES

	2007	2006
	HK$'000	*HK$'000*
Raw materials	158,664	161,027
Work in progress	11,328	10,291
Finished goods	154,555	125,374
Supplies	942	1,530
	325,489	298,222

22. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables with an aged analysis (by invoice date) as follows:

	2007	2006
	HK$'000	*HK$'000*
0 — 30 days	262,918	160,004
31 — 60 days	158,038	115,961
61 — 90 days	80,271	73,042
91 — 120 days	42,258	29,337
More than 120 days	32,362	22,894
	575,847	401,238

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$216,633,000 (2006: HK$169,637,000) which are past due at the reporting date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The Group does not hold any collateral over these balances.

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

	2007	2006
	HK$'000	*HK$'000*
1 — 30 days	121,832	99,439
31 — 60 days	54,312	38,276
Over 60 days	40,489	31,922
Total	216,633	169,637

Movement in the allowance for doubtful debts:

	2007	2006
	HK$'000	*HK$'000*
Balance at beginning of the year	41,970	39,367
Exchange realignment	483	268
Impairment losses recognised	3,028	6,375
Impairment losses reversed	(7,662)	(2,745)
Amounts written off during the year	(12,895)	(1,295)
Balance at end of the year	24,924	41,970

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$24,924,000 (2006: HK$41,970,000) which are either been placed under liquidation or in financial difficulties in repaying the outstanding balances. The Group does not hold any collateral over these balances.

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

23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

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

24. AMOUNT DUE FROM AN ASSOCIATE

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

25. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets. The deposits carry fixed interest rate at 0.72% (2006: 1.73% to 2.7%) per annum.

26. BANK BALANCES AND CASH

The amount included deposits with an original maturity of three months or less which carry fixed interest rate of 3.1% (2006: 3.8%) per annum.

27. ASSETS CLASSIFIED AS HELD FOR SALE

On 25th April, 2007, Golik Concrete Limited, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Group's leasehold land and building (the "Property") located in Hong Kong under the medium term lease, which are expected to be sold within the next twelve months from the balance sheet date. The consideration for the disposal of the Property to be paid by the independent third party is approximately HK$29,000,000. The proceeds of disposal are expected to exceed the net carrying amount of the Property and, accordingly, no impairment loss has been recognised on reclassification of the Property as held for sale.

28. TRADE AND OTHER PAYABLES

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

	2007	2006
	HK$'000	*HK$'000*
0 — 30 days	95,259	75,934
31 — 60 days	17,602	11,652
61 — 90 days	23,275	4,512
91 — 120 days	8,895	1,512
More than 120 days	22,737	26,124
	167,768	119,734

29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31st December, 2007, the notional amount of outstanding foreign exchange forward contracts to which the Group is committed ranging from US$15,600,000 to US$31,200,000 (2006: US$31,300,000 to US$62,600,000) with the forward exchange rates to sell HK$ and buy US$ at 7.698 to 7.726 (2006: 7.724 to 7.741) based on predetermined formula. The maturity date of the contracts is ranging from May 2008 to February 2009.

At 31st December, 2007, the fair value of the Group's foreign currency forward contracts is estimated to be a financial liability of approximately HK$13,000 (2006: HK$322,000). These amounts are based on market prices quoted by banks at the balance sheet date. The gain on change in fair value of the foreign currency forward contracts amounting to HK$3,079,000 (2006: HK$1,004,000) has been recognised in consolidated income statement.

31. BANK BORROWINGS

	2007	2006
	HK$'000	*HK$'000*
Bank loans	128,540	123,359
Mortgage loans	8,220	10,437
Trust receipt loans	509,495	360,967
	646,255	494,763
Analysed as:		
Secured	21,570	85,436
Unsecured	624,685	409,327
	646,255	494,763

The bank borrowings are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
On demand or within one year	640,417	485,150
More than one year, but not exceeding two years	2,510	3,745
More than two years, but not exceeding three years	2,645	2,507
More than three years, but not exceeding four years	683	2,668
More than four years, but not exceeding five years	—	693
	646,255	494,763
Less: amounts due within one year shown under current liabilities	(640,417)	(485,150)
Amounts due after one year	5,838	9,613

The average effective borrowing rates are ranging from 4.0% to 7.0% (2006: 5.2% to 8.8%) per annum.

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

Denominated in	**Interest rate per annum**	**2007**	**2006**
		HK$'000	*HK$'000*
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 1% to 2.5%	500,350	360,466
United States dollars *(note)*	London Interbank Offered Rate ("LIBOR") plus 1% to 2.5%	29,492	34,585
Renminbi	0% to 20% mark up from People's Bank of China ("PBOC") lending rate	101,453	49,771
	Fixed Rate 5.6% to 7.6%	15,698	49,821
Others *(note)*	HIBOR plus 2.5%	—	652
		646,993	495,295

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

32. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,536	3,500	2,340	3,110
In the second to fifth year inclusive	2,489	4,370	2,402	4,087
	5,025	7,870		
Less: future finance charges	(283)	(673)		
Present value of lease obligations	4,742	7,197	4,742	7,197
Less: amounts due within one year shown under current liabilities			(2,340)	(3,110)
Amounts due after one year			2,402	4,087

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, 2007, the average effective borrowing rates range from 3.6% to 10% (2006: 4.65% to 10%) per annum. All leases are on a fixed repayment basis.

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

33. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1st January, 2006, 31st December, 2006 and 2007	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2006, 31st December, 2006 and 2007	567,362,500	56,736

34. SHARE OPTION SCHEME

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

Summary of the Scheme

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

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

(i) any eligible employee;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity acting in their capacities as advisers or consultants that provides research, development or other technological support to the Group or any Invested Entity; and

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity from time to time determined by the directors having contributed or may contribute to the development and growth of the Group and any Invested Entity.

c. The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme (i.e. 27th May, 2004). The Company can grant options to subscribe up to 56,736,250 Shares which is 10% of the total issued share capital of the Company as at 31st December, 2007. The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

d. The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option scheme of the Company (including both exercised or outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

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

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

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

(i) the closing price of the Share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

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

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

35. DEFERRED TAXATION

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

	Accelerated accounting depreciation	Revaluation on properties	Accelerated tax depreciation	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2006	2,666	(4,348)	(20,483)	10,452	—	(11,713)
Exchange differences	—	(22)	—	—	—	(22)
Credit (charge) to income for the year	256	—	2,821	(3,077)	—	—
At 31st December, 2006	2,922	(4,370)	(17,662)	7,375	—	(11,735)
Exchange differences	—	(48)	—	—	—	(48)
Credit (charge) to income for the year	269	(942)	732	362	199	620
At 31st December, 2007	3,191	(5,360)	(16,930)	7,737	199	(11,163)

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$708,458,000 (2006: HK$701,046,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$44,241,000 (2006: HK$42,150,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$664,217,000 (2006: HK$658,896,000) due to the unpredictability of future profit streams. Included in unused tax losses is tax loss of HK$12,830,000 (2006: HK$6,710,000) which will expire within five years.

At the balance sheet date, the Group has deductible temporary differences of HK$30,047,000 (2006: HK$30,740,000) in respect of accelerated accounting depreciation, allowance for doubtful debts and inventories. A deferred tax asset has been recognised in respect of HK$19,370,000 (2006: HK$16,696,000) of such deductible temporary differences. No deferred tax asset has been recognised in respect of the remaining HK$10,677,000 (2006: HK$14,044,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK$771,000 (2006: HK$5,031,000).

37. PLEDGE OF ASSETS

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

	2007	2006
	HK$'000	*HK$'000*
Investment properties	14,660	23,400
Land and buildings and prepaid lease payments	18,770	41,605
Plant and machinery and equipment	11,302	13,104
Bank deposits	6,846	23,707
	51,578	101,816

38. CONTINGENT LIABILITIES

At the balance sheet date, the Group has provided corporate guarantees to the extent of HK$5,100,000 (2006: HK$4,600,000) to a bank to secure the banking facilities granted to its associates. As at 31st December, 2007, the associates utilised the banking facilities of approximately HK$3,501,000 (2006: HK$3,963,000). Such guarantee will be released by banks upon the expiry of the banking facilities. In the opinion of directors, the fair value of the financial guarantee contracts at the date of inception is not significant.

39. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2007	2006
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	12,247	11,851
In the second to fifth year inclusive	10,955	16,680
After five years	5,274	14,475
	28,476	43,006
Plant and machinery and equipment:		
Within one year	—	720

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 years.

The Group as lessor

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

	2007	2006
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	690	1,745
In the second to fifth year inclusive	—	2,090
After five years	—	493
	690	4,328

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

40. CAPITAL COMMITMENTS

	2007	2006
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	18,591	3,134

41. RETIREMENT BENEFITS SCHEMES

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

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

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

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

During the year, the Group made retirement benefits scheme contributions of HK$3,688,000 (2006: HK$3,657,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK$9,000 (2006: HK$94,000).

42. RELATED PARTY TRANSACTIONS

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

	Trade sales		Trade purchases		Rental charges		Acquisition of additional interest in a subsidiary		Acquisition of property, plant and equipment		Payment on behalf of the entities	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	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	—	—	5,038	4,805	—	—	—	—	—	—	—	—
Associates	—	842	—	—	—	—	—	—	—	—	27	35
Minority shareholders with significant influence over certain subsidiaries	—	—	—	—	155	147	1,088	7,054	2,865	—	—	—

Compensation of key management personnel

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

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

43. CAPITAL RISK MANAGEMENT

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

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

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

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007	2006
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	782,144	597,321
Financial liabilities		
At amortised cost	883,934	682,450
Derivative financial instruments	13	322
	883,947	682,772

(b) Financial risk management objectives and policies

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

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

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

(c) Foreign currency risk management

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

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

	Assets		Liabilities	
	2007	2006	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	4,733	4,641	—	—
United States dollars	41,798	33,781	54,960	83,319
Renminbi	13,151	11,912	7,339	9,505
Others	243	1,118	126	652

Foreign currency sensitivity

The Group is mainly exposed to the currency of Hong Kong dollars, United States dollars and Renminbi.

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

	Profit for the year	
	2007	**2006**
	HK$'000	*HK$'000*
Hong Kong dollars	(237)	(232)
United States dollars	658	2,477
Renminbi	(291)	(120)

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

(d) Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on building mortgage loan and variable-rate bank and other borrowings and obligations under finance leases (see notes 31 and 32 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

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

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2007 would decrease/increase by HK$3,176,000 (2006: decrease/increase by HK$2,261,000).

(e) Credit risk management

As at 31st December, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and
- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 38.

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

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

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

(f) Liquidity risk management

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

As at 31st December, 2007, the Group has available unutilised overdraft and short and medium-term bank loan facilities of approximately HK$171,373,000 (2006: HK$306,167,000) respectively.

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

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

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

	Weighted average effective interest rate	0-3 months	4-6 months	7-12 months	1-2 year	2-3 years	3-5 years	Total undiscounted cash flows	Carrying amount at 31/12/2006
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2006									
Non-derivative instruments									
Trade and other payables	—	183,789	575	—	—	—	—	184,364	184,364
Bank and other borrowings									
— Fixed interest rate	6.82	25,347	9,496	16,208	—	—	—	51,051	49,821
— Variable interest rate	7.13	220,012	209,238	13,739	4,101	2,717	3,461	453,268	445,474
Amount due to minority shareholders	—	2,791	—	—	—	—	—	2,791	2,791
Obligations under finance lease									
— Fixed interest rate	9.68	99	25	9	19	13	10	175	162
— Variable interest rate	6.94	842	842	1,683	2,305	1,957	66	7,695	7,035
		432,880	220,176	31,639	6,425	4,687	3,537	699,344	689,647

(g) Fair value of financial instruments

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

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

45. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2007	2006	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	100%	100%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK$1,000,000 Ordinary shares	100%	100%	Investment holding and trading of steel and metal products
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$10,100,000 Non-voting deferred shares**	95%	95%	Investment holding and sales of printing materials, spare parts and machines
Ding Cheong Limited	Incorporated	Hong Kong	HK$500,000 Ordinary shares	55%	55%	Investment holding and sales of construction materials
Ding Cheong (Jiangmen) Metal Mfg. Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$3,000,000 Registered capital	55%	55%	Manufacturing and sales of metal products
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK$20,000,000 Ordinary shares	77%	77%	Decoiling centers
G.F.T.Z. Golik Metal Trading Co., Ltd.	Wholly foreign owned enterprise	PRC	HK$5,000,000 Registered capital	100%	80%	Sales of steel and metal products
Golik Concrete Limited	Incorporated	Hong Kong	HK$60,000,000 Ordinary shares	100%	100%	Investment holding and operating concrete batching plants

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2007	2006	Principal activities
Golik Godown Limited	Incorporated	Hong Kong	HK$2 Ordinary shares	100%	100%	Provision of warehouse services
Golik Metal Company Limited	Incorporated	Hong Kong	HK$750,000,000 Ordinary shares	100%	100%	Investment and properties holding
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK$10,000 Ordinary shares HK$5,135,000 Non-voting deferred shares**	100%	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK$30,000,000 Ordinary shares	100%	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited *	Incorporated	Hong Kong	HK$2 Ordinary shares	100%	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK$80,000,000 Ordinary shares	100%	100%	Investment holding and sales of steel bars and metal products
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK$10,000,000 Ordinary shares	51%	51%	Manufacturing and sales of PVC plastic products
Stahl Trading Pty Ltd.	Incorporated	Australia	AUS$100 Ordinary shares	100%	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK$800,000 Ordinary shares	80%	80%	Manufacturing and sales of construction materials
Tianjin Golik — The First PC Steel Strand Co., Ltd.	Equity joint venture	PRC	RMB49,000,000 Registered capital	51%	51%	Manufacturing and sales of pre-stressed steel wires
Worldlight Group Limited *	Incorporated	British Virgin Islands	US$2 Ordinary shares	100%	100%	Investment holding
鶴山恒基鋼絲制品有限公司	Wholly foreign owned enterprise	PRC	US$3,880,000 Registered capital	100%	100%	Manufacturing and sales of steel wire products and steel ropes

Name of company	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group 2007	2006	Principal activities
廣東水利混凝土有限公司	Wholly foreign owned enterprise	PRC	RMB27,800,000 Registered capital	100%	100%	Operating a concrete batching plant
鶴山高力金屬制品有限公司	Wholly foreign owned enterprise	PRC	US$1,973,687 Registered capital	100%	100%	Manufacturing and sales of steel wire mesh and metal products

* Subsidiaries held directly by the Company

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

Note:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

3. UNAUDITED CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

Set out below is the unaudited consolidated financial statements of the Group for the six months ended 30th June, 2008 together with the notes therein, which are extracted from the interim report of the Company for the six months ended 30th June, 2008.

Condensed Consolidated Income Statement
For the six months ended 30th June, 2008

		Six months ended	
		30.6.2008	**30.6.2007**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(unaudited)
Turnover	*4*	1,804,172	1,151,043
Cost of sales		(1,628,512)	(1,038,965)
Gross profit		175,660	112,078
Other income		12,226	14,036
Interest income		976	1,197
Other gains and losses	*5*	(5,076)	1,097
Selling and distribution costs		(44,071)	(32,773)
Administrative expenses		(69,774)	(59,318)
Finance costs	*6*	(19,867)	(15,483)
Share of results of jointly controlled entities		15	114
Share of results of associates		1,968	667
Profit before taxation		52,057	21,615
Income taxes	*7*	(5,494)	(1,791)
Profit for the period	*8*	46,563	19,824
Attributable to:			
Equity holders of the Company		38,601	17,561
Minority interests		7,962	2,263
		46,563	19,824
Dividend paid of 1.2 HK cents (2007: 2.2 HK cents) per share	*9*	6,808	12,460
Earnings per share	*10*		
Basic		6.80 HK cents	3.10 HK cents

Condensed Consolidated Balance Sheet

At 30th June, 2008

	Notes	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
Non-current Assets			
Goodwill		4,063	5,563
Investment properties	11	17,310	17,310
Property, plant and equipment	11	245,208	225,077
Prepaid lease payments		33,769	33,276
Interests in jointly controlled entities		1,794	1,779
Interests in associates		10,825	8,857
Long-term receivables		1,113	2,356
Rental and other deposits		1,267	1,368
Deposits paid for acquisition of property, plant and equipment		6,655	10,524
		322,004	306,110
Current Assets			
Inventories		520,733	325,489
Trade and other receivables	12	603,071	644,722
Amounts due from jointly controlled entities		7,014	7,009
Amount due from an associate		—	527
Prepaid lease payments		859	837
Income tax recoverable		120	2,258
Derivative financial instruments		253	—
Pledged bank deposits	16	72,622	6,846
Bank balances and cash		164,726	163,279
		1,369,398	1,150,967
Assets classified as held for sale		—	22,484
		1,369,398	1,173,451

	Notes	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
Current Liabilities			
Trade and other payables	13	264,595	248,232
Amounts due to minority shareholders		3,360	3,779
Amount due to an associate		803	—
Income tax payable		2,649	1,496
Derivative financial instruments		—	13
Bank borrowings	14	762,974	640,417
Obligations under finance leases		2,235	2,340
Bank overdrafts — unsecured		7,121	738
		1,043,737	897,015
Net Current Assets		325,661	276,436
		647,665	582,546
Capital and Reserves			
Share capital	15	56,736	56,736
Share premium and reserves		468,781	427,063
Equity attributable to equity holders of the Company		525,517	483,799
Minority interests		89,361	79,344
Total Equity		614,878	563,143
Non-current Liabilities			
Deferred tax liabilities		11,209	11,163
Bank borrowings	14	20,296	5,838
Obligations under finance leases		1,282	2,402
		32,787	19,403
		647,665	582,546

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	PRC statutory reserve HK$'000 (note)	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2007 (audited)	56,736	318,118	19,566	6,361	3,389	55,367	459,537	82,600	542,137
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	3,520	—	—	3,520	851	4,371
Profit for the period	—	—	—	—	—	17,561	17,561	2,263	19,824
Total recognised profit for the period	—	—	—	3,520	—	17,561	21,081	3,114	24,195
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(1,380)	(1,380)
Dividend paid	—	—	—	—	—	(12,460)	(12,460)	—	(12,460)
Acquisition of additional interest in a subsidiary from minority shareholder	—	—	—	—	—	—	—	(1,019)	(1,019)
At 30th June, 2007 (unaudited)	56,736	318,118	19,566	9,881	3,389	60,468	468,158	83,315	551,473
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	5,639	—	—	5,639	1,190	6,829
Profit for the period	—	—	—	—	—	10,024	10,024	359	10,383
Total recognised profit for the period	—	—	—	5,639	—	10,024	15,663	1,549	17,212
Dividend paid to minority shareholders	—	—	—	—	—	—	—	(5,520)	(5,520)
Dividend paid	—	—	—	—	—	(22)	(22)	—	(22)
At 31st December, 2007 (audited)	56,736	318,118	19,566	15,520	3,389	70,470	483,799	79,344	563,143
Exchange difference arising from the translation of foreign operations recognised directly in equity	—	—	—	9,925	—	—	9,925	2,055	11,980
Profit for the period	—	—	—	—	—	38,601	38,601	7,962	46,563
Total recognised profit for the period	—	—	—	9,925	—	38,601	48,526	10,017	58,543
Dividend paid	—	—	—	—	—	(6,808)	(6,808)	—	(6,808)
At 30th June, 2008 (unaudited)	56,736	318,118	19,566	25,445	3,389	102,263	525,517	89,361	614,878

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	Six months ended 30.6.2008 HK$'000 (unaudited)	Six months ended 30.6.2007 HK$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(45,125)	(75,156)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,358)	(7,582)
Deposits paid for acquisition of property, plant and equipment	(4,425)	—
(Increase) decrease in pledged bank deposits	(65,330)	4,139
Proceeds from disposal of property, plant and equipment	42	178
Proceeds from disposal of assets classified as held for sale	28,594	—
Proceeds from disposal of investment properties	—	11,500
Others	1,456	876
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(63,021)	9,111
FINANCING ACTIVITIES		
Bank loans raised	172,759	94,257
Repayment of bank loans	(133,555)	(120,992)
Interest paid	(20,381)	(15,729)
Dividend paid to minority shareholders of subsidiaries	—	(1,380)
Dividend paid	(6,808)	(12,460)
Net borrowing of trust receipt loans	91,383	68,364
Repayment of mortgage loans	(1,193)	(1,089)
Others	(1,815)	(1,813)
NET CASH FROM FINANCING ACTIVITIES	100,390	9,158
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,756)	(56,887)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	162,541	142,949
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,820	1,303
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	157,605	87,365
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	164,726	91,107
Bank overdrafts	(7,121)	(3,742)
	157,605	87,365

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

1. GENERAL

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 appropriate.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008.

HK(IFRIC) — Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) — Int 12	Service Concession Arrangements
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1st January, 2009
2 Effective for annual periods beginning on or after 1st July, 2009
3 Effective for annual periods beginning on or after 1st July, 2008
4 Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

The turnover and contributions to profit of the Group for the six months ended 30th June, 2008, analysed by business segments are as follows:

The Group's primary format for reporting segment information is business segment.

For the six months ended 30th June, 2008

	Manufacturing of steel and metal products *HK$'000*	Sales of steel and metal products *HK$'000*	Manufacturing of construction materials *HK$'000*	Sales of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	691,602	61,127	158,021	798,206	95,216	—	1,804,172
Inter-segment sales	13,259	643	4,282	24,663	—	(42,847)	—
Total turnover	704,861	61,770	162,303	822,869	95,216	(42,847)	1,804,172

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

	Manufacturing of steel and metal products *HK$'000*	Sales of steel and metal products *HK$'000*	Manufacturing of construction materials *HK$'000*	Sales of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT RESULT	45,410	2,022	7,901	18,702	(1,143)	(763)	72,129
Unallocated other income							2,434
Unallocated corporate expenses							(9,232)
Gain on disposal of assets classified as held for sale							6,110
Impairment loss on goodwill	—	—	(200)	—	(1,300)	—	(1,500)
Finance costs							(19,867)
Share of results of jointly controlled entities	—	—	—	—	15	—	15
Share of results of associates	1,968	—	—	—	—	—	1,968
Profit before taxation							52,057
Income taxes							(5,494)
Profit for the period							46,563

For the six months ended 30th June, 2007

	Manufacturing of steel and metal products *HK$'000*	Sales of steel and metal products *HK$'000*	Manufacturing of construction materials *HK$'000*	Sales of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	545,924	52,373	154,449	293,834	104,463	—	1,151,043
Inter-segment sales	5,085	14,421	213	31,724	—	(51,443)	—
Total turnover	551,009	66,794	154,662	325,558	104,463	(51,443)	1,151,043

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

	Manufacturing of steel and metal products *HK$'000*	Sales of steel and metal products *HK$'000*	Manufacturing of construction materials *HK$'000*	Sales of construction materials *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
SEGMENT RESULT	21,047	3,031	11,907	6,905	446	194	43,530
Unallocated other income							2,274
Unallocated corporate expenses							(8,587)
Impairment loss on goodwill	—	—	(100)	—	(800)	—	(900)
Finance costs							(15,483)
Share of results of jointly controlled entities	—	—	—	—	114	—	114
Share of results of associates	667	—	—	—	—	—	667
Profit before taxation							21,615
Income taxes							(1,791)
Profit for the period							19,824

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2008 *HK$'000*	30.6.2007 *HK$'000*
Allowance (write back of) for bad and doubtful debts, net	9,686	(1,997)
Gain on disposal of assets classified as held for sale *(Note)*	(6,110)	—
Impairment loss on goodwill	1,500	900
	5,076	(1,097)

Note:

On 25th April, 2007, Golik Concrete Limited, a wholly owned subsidiary of the Company entered into an agreement with an independent third party for the disposal of the Group's leasehold land and building (the "Property") located in Hong Kong under the medium term lease. The net proceeds received from disposal of the Property was HK$28,594,000. The disposal was completed on 24th April, 2008, a gain on disposal of HK$6,110,000 has been recognised in condensed consolidated income statement for the current period.

6. FINANCE COSTS

	Six months ended 30.6.2008 HK$'000	Six months ended 30.6.2007 HK$'000
Interest on:		
Bank borrowings and bank overdrafts wholly repayable within five years	19,757	15,252
Finance leases	110	231
	19,867	15,483

7. INCOME TAXES

	Six months ended 30.6.2008 HK$'000	Six months ended 30.6.2007 HK$'000
Current tax:		
Hong Kong	2,591	1,078
Other jurisdictions	2,903	713
	5,494	1,791

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

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

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's PRC subsidiaries from 1st January, 2008. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2008	**30.6.2007**
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	424	596
Depreciation	18,251	17,702
Loss (gain) on disposal of property, plant and equipment	65	(72)
Change in fair value of derivative financial instruments	(1,061)	(3,437)

9. DIVIDEND

On 20th June, 2008, a dividend of 1.2 HK cents per share, amounting to HK$6,808,000, was paid to shareholders as the final dividend for the year ended 31st December, 2007.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2008.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the period attributable to the equity holders of the Company of HK$38,601,000 (2007: HK$17,561,000) and 567,362,500 (2007: 567,362,500) shares in issue during the period.

11. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

In the opinion of the directors, there is no material difference between the carrying amount and the fair values of investment properties or revalued amounts of buildings at 30th June, 2008.

During the period, the Group spent approximately HK$32.7 million on the acquisition of assets in order to facilitate its manufacturing capabilities. In addition, the Group disposed of property, plant and equipment with a carrying amount of approximately HK$0.1 million.

12. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables at the balance sheet date:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
0 — 30 days	234,939	262,918
31 — 60 days	181,308	158,038
61 — 90 days	65,993	80,271
91 — 120 days	22,109	42,258
More than 120 days	24,095	32,362
	528,444	575,847

13. TRADE AND OTHER PAYABLES

The Group normally receives credit terms of 30 to 90 days from its suppliers.

The following is an aged analysis of trade payables and bill payables at the balance sheet date:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
0 — 30 days	80,002	95,259
31 — 60 days	39,714	17,602
61 — 90 days	30,380	23,275
91 — 120 days	18,238	8,895
More than 120 days	4,140	22,737
	172,474	167,768

14. BANK BORROWINGS

During the period, the Group obtained new bank loans of HK$173 million and repaid bank loans and mortgage loans of HK$134 million and HK$1 million respectively, and net borrowings of trust receipt loans of HK$91 million. The loans bear interest at market rates with an average effective borrowing rates ranging from 1.9% to 3.6% (2007: 2.58% to 3.02%) per annum and are repayable within five years.

15. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 31st December, 2007 and 30th June, 2008	1,800,000,000	180,000
Issued and fully paid:		
At 31st December, 2007 and 30th June, 2008	567,362,500	56,736

16. PLEDGE OF ASSETS

At 30th June, 2008, the Group has pledged the following assets to financial institutions as securities against credit facilities granted to the Group:

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Investment properties	14,660	14,660
Land and buildings and prepaid lease payments	19,611	18,770
Plant and machinery and equipment	10,475	11,302
Bank deposits	72,622	6,846
	117,368	51,578

17. CAPITAL COMMITMENTS

	30.6.2008	**31.12.2007**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	4,009	18,591

18. CONTINGENT LIABILITIES

At 30th June, 2008, the Group has provided corporate guarantees to the extent of HK$5,965,000 (31.12.2007: HK$5,100,000) to banks to secure the banking facilities granted to its associates. Such guarantee will be released by banks upon the expiry of the banking facilities. In the opinion of directors, the fair value of the financial guarantee contracts at the date of inception is not significant.

19. RELATED PARTY TRANSACTIONS

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

	Trade sales Six months ended		**Trade purchases Six months ended**		**Rental charges Six months ended**		**Acquisition of additional interest in a subsidiary Six months ended**		**Payment on behalf of the entities Six months ended**	
	30.6.2008	**30.6.2007**	**30.6.2008**	**30.6.2007**	**30.6.2008**	**30.6.2007**	**30.6.2008**	**30.6.2007**	**30.6.2008**	**30.6.2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
A jointly controlled entity	–	–	1,734	2,783	–	–	–	–	–	–
Associates	2,630	–	–	–	–	–	–	–	38	21
Minority shareholders of subsidiaries	–	–	–	–	83	76	–	1,089	–	–

Compensation of key management personnel

During the period, the Group paid remuneration of HK$5,110,000 (2007: HK$5,226,000) to the directors, the key management personnel of the Group.

Deloitte.
德勤

28th November, 2008

The Directors
Golik Holdings Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding China Rope Holdings Limited ("the Company") and its subsidiary (hereinafter together with the Company are collectively referred to as the "China Rope Group") for each of the years ended 31st March, 2006, 2007 and 2008 and the three months ended 30th June, 2008 (the "Relevant Periods") for inclusion in the circular of Golik Holdings Limited ("GHL") to its shareholders dated 28th November, 2008 (the "Circular") in connection with the acquisition of the entire issued capital of the Company constituting a major acquisition of GHL.

The Company is a private limited company incorporated in Hong Kong on 2nd October, 2003 and acts as an investment holding company.

At the date of this report, the particulars of the subsidiary are as follows:

Name of company	Place of registration/ operation	Registered capital	Attributable equity interest held by the Company	Principal activities
Bridon Tianjin Rope Ltd. 布頓(天津)鋼絲繩有限公司	People's Republic of China ("PRC")	US$2,000,000	75.5%	Manufacturing and sales of steel wire ropes for elevators

The Company adopts 31st March as the financial year end date and its subsidiary, Bridon Tianjin Rope Ltd. ("Bridon Tianjian") adopts 31st December as the financial year end date. For the purpose of this report, financial year end date of 31st March, which is consistent to the financial year end date of the Company, is adopted to present the financial information of Bridon Tianjin.

The financial statements of the Company for each of the three years ended 31st March, 2008 prepared under accounting principles generally accepted in Hong Kong were audited by Ernst & Young. The statutory financial statements of Bridon Tianjin for each of the three years ended 31st December, 2007, which were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, were audited by Tianjin Jind Axin Certified Public Accountants (天津金達信有限責任會計師事務所).

For the purpose of this report, we have undertaken our own independent audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") on the consolidated financial statements for the Relevant Periods of the China Rope Group prepared in accordance with accounting policies in compliance with Hong Kong Financial Reporting Standards ("HKFRS").

We have examined the audited financial statements or where appropriate, management accounts of the companies comprising the China Rope Group for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information for the Relevant Periods as set out in this report has been prepared from consolidated financial statements of the China Rope Group (the "Underlying Financial Statements"). No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements is the responsibility of the directors of the Company who approved their issue. The directors of GHL are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion, based on our examination and review, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the China Rope Group as at 31st March, 2006, 2007, 2008 and 30th June, 2008 and of the Company as at 31st March, 2006, 2007, 2008 and 30th June, 2008 and of the consolidated results and cash flows of the China Rope Group for each of the three years ended 31st March, 2008 and the three months ended 30th June, 2008.

The comparative consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the China Rope Group for the three months ended 30th June, 2007 together with the notes thereon have been extracted from the China Rope Group's unaudited consolidated financial information for the same period (the "30th June, 2007 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the 30th June, 2007 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the 30th June, 2007 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information, which conform with HKFRS.

A. FINANCIAL INFORMATION ON THE CHINA ROPE GROUP

Consolidated Income Statements

		Year ended 31st March,			Three months ended 30th June,	
		2006	2007	2008	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Turnover	*5*	82,437	115,194	211,444	48,079	73,120
Cost of sales		(60,780)	(86,724)	(167,569)	(38,685)	(57,586)
Gross profit		21,657	28,470	43,875	9,394	15,534
Other income	*6*	178	638	1,179	218	202
Selling and distribution costs		(7,600)	(10,924)	(16,338)	(3,000)	(5,226)
Administrative expenses		(6,879)	(9,785)	(12,672)	(2,871)	(3,285)
Finance costs	*7*	(376)	(672)	(1,044)	(160)	(459)
Profit before taxation		6,980	7,727	15,000	3,581	6,766
Income taxes	*8*	(584)	(676)	(1,532)	(353)	(1,563)
Profit for the year/period	*9*	6,396	7,051	13,468	3,228	5,203
Attributable to:						
Equity holders of the Company		4,807	5,313	10,160	2,445	3,932
Minority interests		1,589	1,738	3,308	783	1,271
		6,396	7,051	13,468	3,228	5,203

Consolidated Balance Sheets

		As at 31st March,			As at 30th June,
		2006	2007	2008	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Assets					
Goodwill	*12*	3,466	3,636	3,977	4,074
Property, plant and equipment	*13*	4,353	21,673	26,488	28,302
		7,819	25,309	30,465	32,376
Current Assets					
Inventories	*15*	11,560	15,409	20,595	28,694
Trade and other receivables	*16*	21,640	31,229	39,675	39,498
Amounts due from fellow subsidiaries	*17*	204	259	281	22
Amounts due from related companies	*18*	—	279	—	2,624
Pledged bank deposits	*19*	332	1,360	—	—
Bank balances and cash	*20*	14,087	12,596	21,713	25,995
		47,823	61,132	82,264	96,833
Current Liabilities					
Trade and other payables	*21*	12,222	25,673	23,887	31,657
Amount due to immediate holding company	*22*	662	864	1,744	2,041
Amounts due to intermediate holding companies	*22*	—	5,539	1,929	1,931
Amount due to a shareholder	*22*	202	15	21	53
Amount due to a minority shareholder of a subsidiary	*22*	856	898	559	573
Amounts due to related companies	*18*	573	532	581	595
Income tax payable		182	60	563	1,115
Bank borrowings	*23*	10,931	12,570	18,141	19,718
		25,628	46,151	47,425	57,683
Net Current Assets		22,195	14,981	34,839	39,150
Total Assets less Current Liabilities		30,014	40,290	65,304	71,526
Capital and Reserves					
Share capital	*24*	18,163	18,163	18,163	18,163
Reserves		5,347	11,948	25,404	30,454
Equity attributable to equity holders of the Company		23,510	30,111	43,567	48,617
Minority interests		6,504	8,604	12,872	14,476
Total Equity		30,014	38,715	56,439	63,093
Non-current Liabilities					
Deferred tax liability	*25*	—	—	—	231
Bank borrowings	*23*	—	1,575	8,865	8,202
		—	1,575	8,865	8,433
		30,014	40,290	65,304	71,526

Balance Sheets of the Company

		As at 31st March,			As at 30th June,
		2006	**2007**	**2008**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current Asset					
Investment in a subsidiary	*14*	18,635	19,552	21,383	21,908
Current Assets					
Other receivables	*16*	9	—	—	—
Amount due from a subsidiary	*17*	—	8,467	4,282	4,295
Bank balances and cash	*20*	11	47	47	47
		20	8,514	4,329	4,342
Current Liabilities					
Other payables		14	17	20	7
Amount due to immediate holding company	*22*	93	819	1,676	1,880
Amount due to intermediate holding company	*22*	—	5,539	1,235	1,233
Bank borrowings	*23*	—	700	700	700
		107	7,075	3,631	3,820
Net Current (Liabilities) Assets		(87)	1,439	698	522
Total Assets Less Current Liabilities		18,548	20,991	22,081	22,430
Capital and Reserves					
Share capital	*24*	18,163	18,163	18,163	18,163
Reserves	*26*	385	1,253	3,043	3,567
Total Equity		18,548	19,416	21,206	21,730
Non-current Liability					
Bank borrowings	*23*	—	1,575	875	700
		18,548	20,991	22,081	22,430

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company						
	Share capital HK$'000	Exchange reserve HK$'000 (Note a)	Other reserves HK$'000 (Note b)	(Accumulated loss) retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st April, 2005	10	—	—	(14)	(4)	—	(4)
Exchange differences recognised directly in equity	—	554	—	—	554	152	706
Profit for the year	—	—	—	4,807	4,807	1,589	6,396
Total recognised income for the year	—	554	—	4,807	5,361	1,741	7,102
Acquisition of a subsidiary	—	—	—	—	—	4,763	4,763
Issue of shares	18,153	—	—	—	18,153	—	18,153
Transfer	—	—	786	(786)	—	—	—
At 31st March, 2006	18,163	554	786	4,007	23,510	6,504	30,014
Exchange differences recognised directly in equity	—	1,288	—	—	1,288	362	1,650
Profit for the year	—	—	—	5,313	5,313	1,738	7,051
Total recognised income for the year	—	1,288	—	5,313	6,601	2,100	8,701
Transfer	—	—	758	(758)	—	—	—
At 31st March, 2007	18,163	1,842	1,544	8,562	30,111	8,604	38,715
Exchange differences recognised directly in equity	—	3,296	—	—	3,296	960	4,256
Profit for the year	—	—	—	10,160	10,160	3,308	13,468
Total recognised income for the year	—	3,296	—	10,160	13,456	4,268	17,724
Transfer	—	—	2,673	(2,673)	—	—	—
At 31st March, 2008	18,163	5,138	4,217	16,049	43,567	12,872	56,439
Exchange differences recognised directly in equity	—	1,118	—	—	1,118	333	1,451
Profit for the period	—	—	—	3,932	3,932	1,271	5,203
Total recognised income for the period	—	1,118	—	3,932	5,050	1,604	6,654
Transfer	—	—	679	(679)	—	—	—
At 30th June, 2008	18,163	6,256	4,896	19,302	48,617	14,476	63,093
(Unaudited) At 1st April, 2007	18,163	1,842	1,544	8,562	30,111	8,604	38,715
Exchange differences recognised directly in equity	—	501	—	—	501	144	645
Profit for the period	—	—	—	2,445	2,445	783	3,228
Total recognised income for the period	—	501	—	2,445	2,946	927	3,873
Transfer	—	—	329	(329)	—	—	—
At 30th June, 2007	18,163	2,343	1,873	10,678	33,057	9,531	42,588

Notes:

(a) The exchange differences arose from translation of assets and liabilities from their functional currency to the presentation currency.

(b) Other reserves comprise statutory surplus reserve and development fund reserve of the subsidiary established in the PRC. The statutory surplus reserve can only be used to make good of previous years' losses or to increase the capital of the subsidiary upon the approval of relevant authority.

Consolidated Cash Flow Statements

	Year ended 31st March,			Three months ended 30th June,	
	2006	2007	2008	2007	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	6,980	7,727	15,000	3,581	6,766
Adjustments for:					
Depreciation	399	838	1,673	373	562
Allowance for bad and doubtful debts	—	—	379	—	—
Interest income	(50)	(58)	(111)	(24)	(28)
Loss on disposal of property, plant and equipment	2	—	43	—	16
Unrealised foreign exchange loss	889	165	693	29	84
Finance costs	376	672	1,044	160	459
Operating cash flows before movements in working capital	8,596	9,344	18,721	4,119	7,859
Decrease (increase) in inventories	493	(3,280)	(3,743)	10	(7,593)
(Increase) decease in trade and other receivables	(8,566)	(8,524)	(5,900)	(8,821)	1,152
(Increase) decrease in amounts due from fellow subsidiaries	229	(44)	3	154	266
(Increase) decrease in amounts due from related companies	—	(279)	306	(103)	(2,624)
Increase (decrease) in trade and other payables	5,240	12,849	(4,191)	2,250	7,183
Decrease in amounts due to related companies	(1,359)	(70)	(1)	(1)	(1)
Cash generated from (used in) operations	4,633	9,996	5,195	(2,392)	6,242
Taxation outside Hong Kong paid	(407)	(824)	(1,106)	(150)	(813)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	4,226	9,172	4,089	(2,542)	5,429
INVESTING ACTIVITIES					
Acquisition of a subsidiary *(Note 28)*	(2,175)	—	—	—	—
Purchase of property, plant and equipment	(2,283)	(17,945)	(4,501)	(2,142)	(1,748)
(Increase) decrease in pledged bank deposits	(332)	(1,028)	1,360	1,360	—
Proceeds from disposal of property, plant and equipment	1	—	3	—	6
Interest received	50	58	111	24	28
NET CASH USED IN INVESTING ACTIVITIES	(4,739)	(18,915)	(3,027)	(758)	(1,714)
FINANCING ACTIVITIES					
Bank loans raised	25,435	29,870	41,629	24,449	35,694
Issue of shares	18,153	—	—	—	—
Repayment of bank loans	(27,074)	(27,194)	(30,093)	(24,331)	(35,442)
Interest paid	(376)	(672)	(1,044)	(160)	(459)
(Repayment to) advances from a shareholder	(71)	(197)	6	21	31
Advance from immediate holding company	662	197	803	256	255
Advance from (repayment to) intermediate holding companies	—	5,539	(4,129)	(24)	(46)
(Repayment to) advance from a minority shareholder	(602)	(1)	(424)	278	—
Repayment to a related company	(1,527)	—	—	—	—
NET CASH FROM FINANCING ACTIVITIES	14,600	7,542	6,748	489	33
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,087	(2,201)	7,810	(2,811)	3,748
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	—	14,087	12,596	12,596	21,713
Effect of foreign exchange rate changes	—	710	1,307	223	534
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by Bank balances and cash	14,087	12,596	21,713	10,008	25,995

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its immediate holding company is Bridon Hong Kong Limited, a company incorporated in Hong Kong. The directors of the Company consider that its ultimate holding company for the three years ended 31st March, 2006, 2007 and 2008 is FKI plc; and Melrose plc as at 30th June, 2008, both companies are incorporated in the United Kingdom and their shares are listed on the London Stock Exchange.

The Company acts as an investment holding company. The principal activity of its subsidiary is manufacturing and sales of steel wire ropes for elevators in the PRC.

The financial information is presented in Hong Kong dollars, which is different from the functional currency of the Company, i.e. Renminbi ("RMB"), as the Company is a private limited company incorporated in Hong Kong and its shareholders are located in Hong Kong and therefore, the directors consider that Hong Kong dollars is preferable in presenting the operating result and financial position of the China Rope Group.

The address of the registered office and principal place of business of the Company is located at 8/F, Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong.

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

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the China Rope Group has consistently adopted Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretations which are effective for the China Rope Group's financial year beginning on 1st April, 2008 issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

At the date of this report, the HKICPA has issued the following new and revised standards and interpretations which are not yet effective in respect of the Relevant Periods. The China Rope Group has not early adopted these new and revised standards and interpretations in the Financial Information for the Relevant Periods.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[4]
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Revised)	Share-based Payment — Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC) — Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation[6]

[1] Effective for financial period beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for financial period beginning on or after 1st January, 2009
[3] Effective for financial period beginning on or after 1st July, 2009
[4] Effective from 1st July, 2008
[5] Effective for financial period beginning on or after 1st July, 2008
[6] Effective for financial period beginning on or after 1st October, 2008

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company are in the process of assessing the potential impact and so far concluded that the application of the other new and revised standards, amendment or interpretations will have no material impact on the results and the financial position of the China Rope Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporate the financial statements of the Company and entity controlled by the Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the Relevant Periods 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 China Rope 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 China Rope Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment in a subsidiary

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investment in a subsidiary is included in the Company's balance sheet at cost less any identified impairment loss. The result of the subsidiary is accounted by the Company on the basis of dividends received and receivable during the year.

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the China Rope Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

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

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

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

Revenue recognition

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

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

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

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than assets under installation over their estimated useful lives, using the straight-line method.

Assets under installation include property, plant and equipment in the course of construction for production or for its own use purposes. Assets under installation are carried at cost less any recognised impairment loss. Assets under installation are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Leasing

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

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 losses — other than goodwill

At each balance sheet date, the China Rope 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. Cost is calculated using the weighted average method. The costs of inventory comprise all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Loans and receivables (including trade and other receivables, pledged bank deposits, bank balances and cash, and amounts due from a subsidiary, fellow subsidiaries and related companies)

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

Effective interest method

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

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

Impairment of loans and receivables

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

Objective evidence of impairment could include:

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities (including trade and other payables, bank borrowings, amounts due to immediate holding company, intermediate holding companies, a shareholder, a minority shareholder of a subsidiary and related companies)

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

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the China Rope 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 consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the China Rope Group are translated into the presentation currency of the China Rope Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/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 pension schemes for staff in the PRC are charged as an expense when employees have rendered service entitling them to the contribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, if any, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in a subsidiary, except where the China Rope Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the China Rope 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. The carrying amount of goodwill is HK$3,466,000, HK$3,636,000, HK$3,977,000 and HK$4,074,000 at 31st March, 2006, 2007, 2008 and 30th June, 2008 respectively as set out in note 12. Details of the recoverable amount calculation are disclosed in note 12.

5. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts and receivable for goods sold by the China Rope Group to outside customers, less returns and allowances.

Business segment

No business segment information is presented for the Relevant Periods as the China Rope Group was engaged solely in the manufacturing and sales of steel wire ropes for elevators during the Relevant Periods.

Geographical segment

More than 90% of the China Rope Group's turnover, profit before taxation, assets and liabilities were derived from and located in the PRC and therefore no geographical segments are presented.

6. OTHER INCOME

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Interest on bank deposits	50	58	111	24	28
Sales of scrap metals	128	580	1,068	194	174
	178	638	1,179	218	202

7. FINANCE COSTS

Finance costs represent the interest on bank borrowings wholly repayable within five years.

8. INCOME TAXES

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Current tax — PRC	584	676	1,532	353	1,332
Deferred tax *(note 25)*	—	—	—	—	231
	584	676	1,532	353	1,563

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the years ended 31st March, 2006, 2007 and 2008 and the three months ended 30th June, 2007.

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The estimated average annual tax rate used is 16.5% for the three months ended 30th June, 2008.

No provision for Hong Kong Profits Tax has been made in the Financial Information as the income of the China Rope Group neither arise in, nor is derived from, Hong Kong.

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

The subsidiary operating in the PRC is exempted from income tax for two years starting from 2003 to 2004, followed by a 50% reduction from 2005 to 2007. This subsidiary operating in the PRC which is regarded as advanced technology enterprises has also been granted tax concessions by the local tax bureau and is entitled to PRC income tax at concessionary rate of 15%.

On 16th March, 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the enterprise income tax rate from 15% to 18% for the subsidiary from 1st January, 2008. The new tax rate is progressively increasing to 25% over five years as grandfathering provision. According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprise Income Tax (Guofa [2007] No. 39), the tax exemption and deduction for the foreign investment enterprises is still applicable until the end of the five-year transitional period under the New Law.

The taxation for the Relevant Periods can be reconciled from taxation based on profit before taxation per the consolidated income statement as follows:

	Year ended 31st March,			**Three months ended 30th June,**	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Profit before taxation	6,980	7,727	15,000	3,581	6,766
Tax at the applicable tax rate of 15% (Year ended 31st March, 2008 and three months 30th June, 2008: 18%)	1,047	1,159	2,700	537	1,218
Tax effect of expenses not deductible for tax purpose	143	216	120	29	55
Effect of tax relief	(595)	(687)	(1,311)	(283)	—
Withholding tax on retained profits to be distributed *(note)*	—	—	—	—	231
Others	(11)	(12)	23	70	59
Income taxes for the year/period	584	676	1,532	353	1,563

Note:

In accordance to PRC tax circular (Guoshuihan [2008] 112) effective from 1st January, 2008, PRC withholding income tax at the rate of 10% is applicable to dividends to "non-resident" investors who do not have an establishment or place of business in the PRC. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuihan [2008] 112, where the Hong Kong resident company directly owns at least 25% of the capital of the PRC company, 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the profits arisen during the three months ended 30th June, 2008 of the PRC subsidiary, which are available for distribution to the Company.

Details of the deferred taxation are set out in note 25.

9. PROFIT FOR THE YEAR/PERIOD

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Profit for the year/period has been arrived at after charging:					
Auditors' remuneration	130	41	145	12	48
Depreciation	399	838	1,673	373	562
Minimum lease payments for operating leases in respect of land and buildings	1,648	1,795	2,433	491	564
Staff costs					
Directors' emoluments	—	—	—	—	—
Other staff					
— Salaries and other benefits	7,101	11,223	16,565	3,849	5,276
— Retirement benefits scheme contribution	1,814	2,602	3,138	1,489	888
	8,915	13,825	19,703	5,338	6,164
Loss on disposal of property, plant and equipment	2	—	43	—	16
Allowance for bad and doubtful debts	—	—	379	—	—
Exchange loss, net	19	87	210	52	12

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

During the Relevant Periods, no amounts were paid in respect of directors' emoluments.

(b) Employees' emoluments

The emoluments of the five highest paid individuals were as follows:

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Salaries and other benefits	253	294	539	95	192
Contributions to retirement benefits scheme	38	57	57	14	17
	291	351	596	109	209

The emoluments of each five highest paid individuals were below HK$1,000,000 for the Relevant Periods and the three months ended 30th June, 2007.

During the Relevant Periods and the three months ended 30th June, 2007, no emoluments were paid by the China Rope Group to the directors or the five highest paid individuals as an inducement to join or upon joining the China Rope Group or as compensation for loss of office. None of the directors has waived any emoluments during the Relevant Periods and the three months ended 30th June, 2007.

11. EARNINGS PER SHARE

Earnings per share of the China Rope Group are not presented herein as such information is not considered meaningful in the context of this report.

12. GOODWILL

	HK$'000
COST AND CARRYING AMOUNT	
At 1st April, 2005	—
Acquired on acquisition of a subsidiary	3,373
Exchange adjustments	93
At 31st March, 2006	3,466
Exchange adjustments	170
At 31st March, 2007	3,636
Exchange adjustments	341
At 31st March, 2008	3,977
Exchange adjustments	97
At 30th June, 2008	4,074

The goodwill was arisen on acquisition of a subsidiary engaged in manufacturing and sales of steel wire ropes for elevators. The China Rope Group determined that the goodwill allocated to the one single cash generating unit ("CGU") was not impaired by comparing the carrying amount of the CGU including the goodwill, with its recoverable amount.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses the estimation of the cash flow projections based on financial budgets approved by management covering a 5-year period and extrapolate the budgets using a zero growth rate for the subsequent 5 years, and a discount rate of approximately 8%. 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.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Plant and machinery and equipment HK$'000	Motor vehicles HK$'000	Assets under installation HK$'000	Total HK$'000
2006					
AT COST					
At 1st April, 2005	—	—	—	—	—
Exchange differences	8	44	12	2	66
Additions	350	—	331	1,602	2,283
On acquisition of a subsidiary	291	1,624	426	65	2,406
Disposals	(9)	—	—	—	(9)
Reclassification	—	1,180	—	(1,180)	—
At 31st March, 2006	640	2,848	769	489	4,746
DEPRECIATION					
At 1st April, 2005	—	—	—	—	—
Provided for the year	115	231	53	—	399
Eliminated on disposals	(6)	—	—	—	(6)
At 31st March, 2006	109	231	53	—	393
CARRYING VALUE					
At 31st March, 2006	531	2,617	716	489	4,353
2007					
AT COST					
At 1st April, 2006	640	2,848	769	489	4,746
Exchange differences	31	140	38	24	233
Additions	117	—	305	17,523	17,945
Disposals	(4)	—	—	—	(4)
Reclassification	—	7,825	—	(7,825)	—
At 31st March, 2007	784	10,813	1,112	10,211	22,920
DEPRECIATION					
At 1st April, 2006	109	231	53	—	393
Exchange differences	6	11	3	—	20
Provided for the year	163	583	92	—	838
Eliminated on disposals	(4)	—	—	—	(4)
At 31st March, 2007	274	825	148	—	1,247
CARRYING VALUE					
At 31st March, 2007	510	9,988	964	10,211	21,673

	Furniture and fixtures *HK$'000*	Plant and machinery and equipment *HK$'000*	Motor vehicles *HK$'000*	Assets under installation *HK$'000*	Total *HK$'000*
2008					
AT COST					
At 1st April, 2007	784	10,813	1,112	10,211	22,920
Exchange differences	76	1,013	104	956	2,149
Additions	134	—	—	4,367	4,501
Disposals	(18)	(90)	—	—	(108)
Reclassification	—	3,452	—	(3,452)	—
At 31st March, 2008	976	15,188	1,216	12,082	29,462
DEPRECIATION					
At 1st April, 2007	274	825	148	—	1,247
Exchange differences	25	77	14	—	116
Provided for the year	176	1,379	118	—	1,673
Eliminated on disposals	(17)	(45)	—	—	(62)
At 31st March, 2008	458	2,236	280	—	2,974
CARRYING VALUE					
At 31st March, 2008	518	12,952	936	12,082	26,488
2008					
AT COST					
At 1st April, 2008	976	15,188	1,216	12,082	29,462
Exchange differences	24	373	29	297	723
Additions	24	—	—	1,724	1,748
Disposals	(5)	(26)	—	—	(31)
Reclassification	—	14,080	—	(14,080)	—
At 30th June, 2008	1,019	29,615	1,245	23	31,902
DEPRECIATION					
At 1st April, 2008	458	2,236	280	—	2,974
Exchange differences	11	55	7	—	73
Provided for the period	43	489	30	—	562
Eliminated on disposals	(5)	(4)	—	—	(9)
At 30th June, 2008	507	2,776	317	—	3,600
CARRYING VALUE					
At 30th June, 2008	512	26,839	928	23	28,302

The property, plant and equipment other than assets under installation are depreciated, using the straight-line method, at the following rates per annum:

Furniture and fixtures	18% — 20%
Plant and machinery and equipment	9%
Motor vehicles	9%

14. INVESTMENT IN A SUBSIDIARY

	HK$'000
UNLISTED INVESTMENT, AT COST	
At 1st April, 2005	—
On acquisition of a subsidiary	18,139
Exchange adjustments	496
At 31st March, 2006	18,635
Exchange adjustments	917
At 31st March, 2007	19,552
Exchange adjustments	1,831
At 31st March, 2008	21,383
Exchange adjustments	525
At 30th June, 2008	21,908

15. INVENTORIES

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	621	1,796	3,304	4,871
Work in progress	6,676	6,911	8,658	14,857
Finished goods	4,263	6,702	8,633	8,966
	11,560	15,409	20,595	28,694

16. TRADE AND OTHER RECEIVABLES

The Company

At 31st March, 2006, the other receivables represent prepayment of expenses.

The China Rope Group

	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2008	As at 30th June, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivable	17,002	26,223	36,477	36,916
Other receivables	4,638	5,006	3,198	2,582
	21,640	31,229	39,675	39,498

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

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

Included in the China Rope Group's trade receivables balance are debtors with aggregate carrying amount of HK$7,389,000, HK$7,242,000, HK$9,613,000 and HK$4,545,000 at 31st March, 2006, 2007, 2008 and 30th June, 2008 respectively which are past due for which the China Rope Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on historical experience. The China Rope Group does not hold any collateral over these balances.

Ageing of trade receivable (by due date):

	As at 31st March, 2006	As at 31st March, 2007	As at 31st March, 2008	As at 30th June, 2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Past due but not impaired				
1 — 30 days	3,570	3,674	6,458	3,796
31 — 60 days	2,598	1,264	2,206	248
Over 60 days	1,221	2,304	949	501
	7,389	7,242	9,613	4,545
Not yet due	9,613	18,981	26,864	32,371
	17,002	26,223	36,477	36,916

Movement in the allowance for doubtful debts:

	Year ended 31st March,			Three months ended 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance at beginning of the year/ period	508	522	548	397
Amounts written off during the year/ period	—	—	(572)	—
Impairment losses recognised	—	—	379	—
Exchange realignment	14	26	42	10
Balance at end of the year/period	522	548	397	407

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$522,000, HK$548,000, HK$397,000 and HK$407,000 at 31st March, 2006, 2007, 2008 and 30th June, 2008 respectively which are either been placed under liquidation or have been long outstanding without settlement nor business relationship with the China Rope Group. The China Rope Group does not hold any collateral over these balances.

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

17. AMOUNTS DUE FROM A SUBSIDIARY/FELLOW SUBSIDIARIES

The amounts due from a subsidiary/fellow subsidiaries are unsecured, interest-free and repayable on demand.

The average credit period on sales of goods granted to fellow subsidiaries is 60 days. The China Rope Group has financial risk management policies in place to ensure that allowance for doubtful debts are provided for based on estimated irrecoverable amounts from the sales of goods. The outstanding balances at each balance sheet date are neither past due nor impaired.

18. AMOUNTS DUE FROM/TO RELATED COMPANIES

Related companies of the China Rope Group are subsidiaries directly or indirectly held by a shareholder of the Company or the ultimate holding company of a minority shareholder of a subsidiary. The amounts due from/to related companies are unsecured, interest-free and repayable on demand.

The average credit period on purchase of goods granted by the related companies is 60 days. The China Rope Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The outstanding balances at each balance sheet date are with an aged 0-60 days.

19. PLEDGED BANK DEPOSITS

The amount represents deposits pledged to bank as a collateral to contractors for the construction of plant and machinery. The deposits carry fixed interest rate at 2.25% and 2.79% per annum at 31st March, 2006 and 31st March, 2007 respectively.

No deposits were pledged to bank or third party at 31st March, 2008 and 30th June, 2008.

20. BANK BALANCES

Bank balances carry interest at market rates ranging from 0.72% to 1.15% during the Relevant Periods.

21. TRADE AND OTHER PAYABLES

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

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 — 60 days	3,808	10,684	9,377	16,266
61 — 90 days	994	4,311	900	1,326
91 — 120 days	462	2,057	1,099	894
Over 120 days	925	1,012	776	345
	6,189	18,064	12,152	18,831

22. AMOUNTS DUE TO IMMEDIATE/INTERMEDIATE HOLDING COMPANIES/A SHAREHOLDER/A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

23. BANK BORROWINGS

	China Rope Group				The Company			
	As at 31st March,			As at 30th June,	As at 31st March,			As at 30th June,
	2006	2007	2008	2008	2006	2007	2008	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The bank borrowings are repayable as follows:								
On demand or within one year	10,931	12,570	18,141	19,718	—	700	700	700
More than one year, but not exceeding two years	—	700	3,363	3,428	—	700	700	700
More than two years, but not exceeding three years	—	700	2,838	2,728	—	700	175	—
More than three years, but not exceeding four years	—	175	2,664	2,046	—	175	—	—
	10,931	14,145	27,006	27,920	—	2,275	1,575	1,400
Less: amounts due within one year shown under current liabilities	10,931	12,570	18,141	19,718	—	700	700	700
Amounts due after one year	—	1,575	8,865	8,202	—	1,575	875	700

Except for the China Rope Group's borrowings of HK$7,367,000 at 31st March, 2008 is secured by property, plant and equipment pledged to bank (Note 29), the other borrowings of China Rope Group are unsecured and guaranteed by related companies (Note 32).

The effective borrowing rates for the China Rope Group's borrowings are ranging from 5.8% to 6.24%, 5.27% to 5.58%, 6.08% to 8.4% and 6.08% to 8.55% per annum at 31st March, 2006, 31st March, 2007, 31st March, 2008 and 30th June, 2008, respectively.

All the Company's borrowings are unsecured and guaranteed by related companies (Note 32). The effective borrowing rates are 6%, 4.5% and 4% per annum at 31st March, 2007, 31st March, 2008 and 30th June, 2008 respectively.

The carrying amounts of the borrowings are analysed as follows:

		China Rope Group			
		As at 31st March,			As at 30th June,
Denominated in	**Interest rate per annum**	**2006**	**2007**	**2008**	**2008**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	Prime rate — 1.5%	—	2,275	1,575	1,400
Renminbi	People's Bank of China ("PBOC") lending rate	4,835	—	—	—
	PBOC lending rate with 7% mark up	—	—	10,651	16,290
	Fixed rate *(Note)*	6,096	11,870	14,780	10,230
		10,931	14,145	27,006	27,920

Note: The fixed rates are ranging from 4.96% to 5.8%, 5.22% to 5.58%, 5.30% to 6.24% and 7.08% to 8.22% per annum at 31st March, 2006, 31st March, 2007, 31st March, 2008 and 30th June, 2008, respectively.

The carrying amounts of the Company's borrowing are denominated in Hong Kong dollars at 31st March, 2007, 2008 and 30th June, 2008. The borrowings carry interest rate at prime rate less 1.5% per annum at 31st March, 2007, 2008 and 30th June, 2008.

24. SHARE CAPITAL

	Number of shares				Amount			
	As at 31st March,			As at 30th June,	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**	**2006**	**2007**	**2008**	**2008**
					HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:								
Ordinary shares of HK$1 each	18,162,854	18,162,854	18,162,854	18,162,854	18,163	18,163	18,163	18,163
Issued and fully paid:								
At the beginning of the year/period	10,000	18,162,854	18,162,854	18,162,854	10	18,163	18,163	18,163
Issue of shares	18,152,854	—	—	—	18,153	—	—	—
At the end of the year/period	18,162,854	18,162,854	18,162,854	18,162,854	18,163	18,163	18,163	18,163

Pursuant to an ordinary resolution passed on 6th May, 2005, the authorised share capital of the Company was increased from HK$10,000 to HK$18,162,854 by the creation of 18,152,854 additional shares of HK$1 each, ranking pari passu in all respects with the existing share capital of the Company.

On the same date, the Company issued and allotted a total of 18,152,854 shares of HK$1 each, for cash at par to the shareholders.

25. DEFERRED TAXATION

The following is the deferred tax liability recognised and movements thereon during the Relevant Periods:

	Withholding tax on retained profits to be distributed *HK$'000*
At 1st April, 2005, 31st March, 2006, 31st March, 2007 and 31st March, 2008	—
Charged to income for the period	231
At 30th June, 2008	231

The Group has deductible temporary differences of HK$522,000, HK$548,000, HK$397,000 and HK$407,000 at 31st March, 2006, 2007, 2008 and 30th June, 2008 respectively in respect of allowance for doubtful debts. No deferred tax asset has been recognised due to unpredictability of future profit streams.

26. RESERVES

The Company

	Exchange reserve *HK$'000* *(Note)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1st April, 2005	—	(14)	(14)
Loss for the year	—	(90)	(90)
Exchange differences	489	—	489
At 31st March, 2006	489	(104)	385
Loss for the year	—	(44)	(44)
Exchange differences	912	—	912
At 31st March, 2007	1,401	(148)	1,253
Loss for the year	—	(28)	(28)
Exchange differences	1,818	—	1,818
At 31st March, 2008	3,219	(176)	3,043
Loss for the period	—	(4)	(4)
Exchange differences	528	—	528
At 30th June, 2008	3,747	(180)	3,567

Note: The exchange differences arose from translation of assets and liabilities from their financial currency to the presentation currency.

27. RETIREMENT BENEFIT SCHEMES

PRC

The employees of the China Rope Group in the PRC are members of state-managed retirement benefit schemes operated by the respective local government in the PRC. The China Rope Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the China Rope Group with respect to the retirement benefit schemes is to make the specific contributions.

28. ACQUISITION OF A SUBSIDIARY

On 30th April, 2005, the Company acquired 75.5% equity interest in Bridon Tianjin at a consideration of approximately HK$18,139,000. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK$3,373,000.

The net assets of the above subsidiary at the date of acquisition were as follows:

	Carrying amount and fair value
	HK$'000
Property, plant and equipment	2,406
Trade and other receivables	13,043
Inventories	12,053
Amounts due from fellow subsidiaries	433
Income tax recoverable	3
Bank balances and cash	15,964
Trade and other payables	(6,968)
Amount due to a shareholder	(1,714)
Amount due to a minority shareholder	(1,523)
Amounts due to related companies	(1,932)
Bank borrowings	(12,236)
	19,529
Minority interests	(4,763)
Goodwill arising on acquisition *(note 12)*	3,373
	18,139
Total consideration satisfied by	
Cash	18,139
Net cash outflow arising on acquisition:	
Cash consideration	(18,139)
Bank balances and cash acquired	15,964
	(2,175)

The subsidiary contributed HK$6,396,000 to the China Rope Group's profit for the period between the date of acquisition and the balance sheet date at 31st March, 2006.

If the acquisition had been completed on 1st April, 2005, the turnover of the China Rope Group for the year ended 31st March, 2006 would have been HK$89,931,000, and profit for the year ended 31st March, 2006 would have been HK$6,977,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the China Rope Group that actually would have been achieved had the acquisition been completed on 1st April, 2005, nor is it intended to be a projection of future results.

29. PLEDGE OF ASSETS

At each balance sheet date, the China Rope Group had pledged the following assets to banks and contractors as securities against banking facilities granted to the China Rope Group and collateral for the construction of property, plant and equipment of the China Rope Group:

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Plant and machinery and equipment	—	—	9,786	—
Bank deposits	332	1,360	—	—
	332	1,360	9,786	—

The pledge of plant and machinery and equipment has been released on 23rd April, 2008.

The Company did not have any pledge of assets at each balance sheet date.

30. OPERATING LEASES COMMITMENT

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

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,487	1,846	749	858
In the second to fifth year inclusive	1,106	981	396	378
	2,593	2,827	1,145	1,236

Operating lease payments represent rentals payable by the China Rope Group for its factory premises. Leases are negotiated for an average term of two years.

The Company did not have any operating leases commitment at each balance sheet date.

31. CAPITAL COMMITMENTS

As at each balance sheet date, the China Rope Group had the following commitments:

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Financial Information	2,480	2,260	174	82

The Company did not have any capital commitments at each balance sheet date.

32. RELATED PARTY TRANSACTIONS

Apart from the balances with related parties set out in the consolidated balance sheet, notes 17, 18 and 22, during the Relevant Periods, the China Rope Group entered into the following significant transactions with its related parties:

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Immediate holding company					
Sales	369	27	60	—	—
Expenses paid on behalf	—	—	325	—	—
Intermediate holding company					
Service fee	—	—	660	—	—
Purchase of property, plant and equipment	—	4,463	—	—	—
Fellow subsidiaries					
Sales	114	1,074	594	191	19
A minority shareholder of the subsidiary					
Rental expenses	1,455	1,430	1,617	390	428
Ultimate holding company of a minority shareholder of the subsidiary					
Rental expenses	—	59	382	92	101
Subsidiaries directly or indirectly held by a shareholder of the Company					
Purchases	—	853	290	—	—
Expenses paid on behalf	—	—	22	—	—
Management fee	334	—	—	—	—

In addition to the above, the China Rope Group received the following corporate guarantees from related parties in favour of banks to secure general banking facilities:

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guaranteed by:				
A shareholder	—	3,000	3,000	3,000
A minority shareholder of the subsidiary	3,384	5,579	11,095	11,368
Ultimate holding company of a minority shareholder	—	—	—	11,368
A subsidiary of a shareholder	1,600	1,600	2,100	2,960
Immediate holding company	5,000	5,000	5,000	5,000
Intermediate holding company	—	7,000	7,000	7,000
Ultimate holding company	—	—	11,095	11,368

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the China Rope Group consists of net debt, including amounts due to immediate holding company, intermediate holding companies, a shareholder and a minority shareholder of a subsidiary, and borrowings disclosed in note 23, net of cash and cash equivalents, and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

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

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

China Rope Group

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	31,829	40,981	58,363	65,382
Financial liabilities				
At amortised cost	23,070	45,259	51,434	61,277

The Company

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Loans and receivables (including cash and cash equivalents)	11	8,514	4,329	4,342
Financial liabilities				
At amortised cost	107	8,651	4,506	4,520

(b) Financial risk management objectives and policies

The China Rope Group's and the Company's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, amounts due from a subsidiary, fellow subsidiaries and related companies, trade and other payables, bank borrowings and amounts due to immediate holding company, intermediate holding company, a shareholder, a minority shareholder of a subsidiary and related companies. Details of the financial instruments are disclosed in respective notes.

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

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

(c) Foreign currency risk management

The subsidiary of the Company has foreign currency sales which expose the China Rope Group to foreign currency risk. The China Rope Group and the Company also have trade and other receivables, trade and other payables and borrowings denominated in foreign currency.

The carrying amounts of the China Rope Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at each balance sheet date are as follows:

The China Rope Group

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
United States dollars	3,226	2,001	1,418	937
Hong Kong dollars	16	52	52	52
Liabilities				
United States dollars	569	—	762	858
Hong Kong dollars	869	3,640	3,854	3,928
Euro	—	5,585	1,235	1,233

The Company

	As at 31st March,			As at 30th June,
	2006	**2007**	**2008**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Hong Kong dollars	11	2,975	3,094	3,109
Euro	—	5,539	1,235	1,233
Liabilities				
Hong Kong dollars	93	3,094	3,251	3,280
Euro	—	5,539	1,235	1,233

Foreign currency sensitivity analysis

The China Rope Group and the Company are mainly exposed to the currency of United States dollars, Hong Kong dollars and Euro.

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

The China Rope Group

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
United States dollars					
Profit for the year/period	(133)	(100)	(33)	(25)	(1)
Hong Kong dollars					
Profit for the year/period	43	179	190	46	48
Euro					
Profit for the year/period	—	279	62	71	15

The Company

	Year ended 31st March,			Three months ended 30th June,	
	2006	**2007**	**2008**	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Hong Kong dollars					
Profit for the year/period	4	6	8	2	2
Euro					
Profit for the year/period	—	—	—	—	—

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

(d) Interest rate risk management

The China Rope Group and the Company are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and bank borrowings (see note 23 for details of these borrowings).

The China Rope Group is also exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits (note 19) and fixed-rate bank borrowing (see note 23). The management will take appropriate measures to manage interest rate exposure if interest rate fluctuates significantly.

The China Rope Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The China Rope Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of prime rate and PBOC arising from the China Rope Group's and the Company's borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances and bank borrowings. The analysis is prepared assuming the amount of liabilities outstanding at each balance sheet date was outstanding for the whole year/period. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

The China Rope Group

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the China Rope Group's profit for the three years ended 31st March, 2006, 2007, 2008 and three months ended 30th June, 2007, 30th June, 2008 would decrease/increase by HK$46,000, HK$52,000, HK$47,000, HK$10,000 and HK$10,000 respectively.

The Company

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the two years ended 31st March, 2007, 2008 and three months ended 30th June, 2007, 30th June, 2008 would decrease/increase by HK$11,000, HK$8,000, HK$3,000, HK$2,000 respectively.

(e) Credit risk management

At each of the balance sheet date, the China Rope Group's maximum exposure to credit risk which will cause a financial loss to the China Rope Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

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

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

The China Rope Group's and the Company's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

(f) Liquidity risk management

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

The following tables detail the China Rope Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the China Rope Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The China Rope Group

	Weighted-average effective interest rate	0-90 days	91-180 days	181-365 days	1-2 years	2-3 years	3-4 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st March, 2006									
Non-interest bearing	–	10,752	1,387	–	–	–	–	12,139	12,139
Interest bearing									
— Fixed interest rate	6.16%	6,113	–	–	–	–	–	6,113	6,096
— Variable interest rate	5.57%	4,880	–	–	–	–	–	4,880	4,835
		21,745	1,387	–	–	–	–	23,132	23,070
As at 31st March, 2007									
Non-interest bearing	–	26,808	3,694	612	–	–	–	31,114	31,114
Interest bearing									
— Fixed interest rate	5.43%	11,941	–	–	–	–	–	11,941	11,870
— Variable interest rate	6.00%	208	206	403	775	733	177	2,502	2,275
		38,957	3,900	1,015	775	733	177	45,557	45,259
As at 31st March, 2008									
Non-interest bearing	–	22,553	1,875	–	–	–	–	24,428	24,428
Interest bearing									
— Fixed interest rate	6.19%	15,112	–	–	–	–	–	15,112	14,780
— Variable interest rate	7.90%	1,072	1,058	2,064	3,938	3,749	3,210	15,091	12,226
		38,737	2,933	2,064	3,938	3,749	3,210	54,631	51,434
As at 30th June, 2008									
Non-interest bearing	–	32,118	1,239	–	–	–	–	33,357	33,357
Interest bearing									
— Fixed interest rate	6.19%	17,330	187	368	715	–	–	18,600	17,690
— Variable interest rate	8.00%	892	878	1,706	3,244	3,010	2,660	12,390	10,230
		50,340	2,304	2,074	3,959	3,010	2,660	64,347	61,277

The Company

	Weighted-average effective interest rate	0-90 days	91-180 days	181-365 days	1-2 years	2-3 years	3-4 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31st March, 2006									
Non-interest bearing	—	107	—	—	—	—	—	107	107
As at 31st March, 2007									
Non-interest bearing	—	6,376	—	—	—	—	—	6,376	6,376
Interest bearing									
— Variable interest rate	6.00%	208	206	403	775	733	177	2,502	2,275
		6,584	206	403	775	733	177	8,878	8,651
As at 31st March, 2008									
Non-interest bearing	—	2,931	—	—	—	—	—	2,931	2,931
Interest bearing									
— Variable interest rate	4.50%	192	190	374	725	176	—	1,657	1,575
		3,123	190	374	725	176	—	4,588	4,506
As at 30th June, 2008									
Non-interest bearing	—	3,120	—	—	—	—	—	3,120	3,120
Interest bearing									
— Variable interest rate	4.00%	188	187	368	715	—	—	1,458	1,400
		3,308	187	368	715	—	—	4,578	4,520

(g) Fair value

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

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

B. SUBSEQUENT EVENTS

No significant events took place subsequent to 30th June, 2008.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the China Rope Group in respect of any period subsequent to 30th June, 2008.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (referred to as the "Unaudited Pro Forma Financial Information") has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the acquisition of shareholding interest in China Rope Holdings Limited (the "Acquisition") as if it had taken place on 30th June, 2008 for the pro forma statement of assets and liabilities.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on (i) the unaudited consolidated balance sheet extracted from the interim report of the Group as at 30th June, 2008; and (ii) the audited consolidated balance sheet of China Rope Group as at 30th June, 2008 as extracted from the accountants' report thereon set out in Appendix II to this Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable, as if the Acquisition had been completed on 30th June, 2008.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 30th June, 2008. As it is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30th June, 2008 or at any future date.

	The Group at 30th June, 2008 *HK$'000*	China Rope Group at 30th June, 2008 *HK$'000*	Unaudited Pro forma adjustments *HK$'000*	*Notes*	Pro forma Enlarged Group Total *HK$'000*
Non-current Assets					
Goodwill	4,063	4,074	(4,074)	*3*	4,063
Investment properties	17,310	—	—		17,310
Property, plant and equipment	245,208	28,302	—		273,510
Prepaid lease payment	33,769	—	—		33,769
Interests in jointly controlled entities	1,794	—	—		1,794
Interests in associates	10,825	—	(10,825)	*2*	—
Long-term receivables	1,113	—	—		1,113
Rental and other deposits	1,267	—	—		1,267
Deposits paid for acquisition of property, plant and equipment	6,655	—	—		6,655
	322,004	32,376	(14,899)		339,481
Current Assets					
Inventories	520,733	28,694	—		549,427
Trade and other receivables	603,071	39,498	22	*7*	642,591
Amounts due from jointly controlled entities	7,014	—	—		7,014
Amounts due from fellow subsidiaries	—	22	(22)	*7*	—
Amounts due from related companies	—	2,624	(1,451)	*8*	1,173
Prepaid lease payment	859	—	—		859
Income tax recoverable	120	—	—		120
Derivate financial instruments	253	—	—		253
Pledged bank deposits	72,622	—	—		72,622
Bank balances and cash	164,726	25,995	(4,319)	*4*	
			(4,213)	*5*	
			(1,386)	*6*	180,803
	1,369,398	96,833	(11,369)		1,454,862

	The Group at 30th June, 2008	China Rope Group at 30th June, 2008	Unaudited Pro forma adjustments		Pro forma Enlarged Group Total
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
Current Liabilities					
Trade and other payables	264,595	31,657	820	*7*	
			12,000	*9*	
			(494)	*10*	308,578
Amount due to immediate holding company	—	2,041	(1,913)	*4*	
			(128)	*7*	—
Amounts due to intermediate holding companies	—	1,931	(1,239)	*4*	
			(692)	*7*	—
Amount due to a shareholder	—	53	(53)	*8*	—
Amounts due to minority shareholders	3,360	573	—		3,933
Amount due to an associate	803	—	(803)	*8*	—
Amounts due to related companies	—	595	(595)	*8*	—
Income tax payable	2,649	1,115	—		3,764
Bank borrowings	762,974	19,718	(467)	*4*	782,225
Obligations under finance leases	2,235	—	—		2,235
Bank overdrafts — unsecured	7,121	—	—		7,121
	1,043,737	57,683	6,436		1,107,856
Net Current Assets	325,661	39,150	(17,805)		347,006
Non-current Liabilities					
Deferred tax liabilities	11,209	231	—		11,440
Other payable	—	—	9,328	*9*	
			(526)	*10*	8,802
Bank borrowings	20,296	8,202	(700)	*4*	27,798
Obligations under finance leases	1,282	—	—		1,282
	32,787	8,433	8,102		49,322
NET ASSETS	614,878	63,093	(40,806)		637,165

Notes:

1. The consideration of the acquisition by the Group of remaining 70% equity interests in China Rope which is an associate of the Group is of HK$25,541,000. The consideration shall be payable (a) in cash on completion by China Rope to Bridon HK of HK$2,949,000 representing Bridon HK's share of the dividend and HK$1,264,000 representing the Company's share of the dividend; (b) HK$12,000,000 shall be satisfied by the issue of the First Promissory Note maturing on 31st March, 2009 by the Company on completion; and (c) HK$9,328,000 shall be satisfied by the issue of the Second Promissory Note maturing on 31st July, 2009 by the Company on completion.

   The calculation of the discount on acquisition is set out as follows:

	HK$'000	*HK$'000*
Identifiable assets and liabilities of China Rope Group as at 30th June, 2008 as stated in accountants' report in Appendix II		
Property, plant and equipment	28,302	
Inventories	28,694	
Trade and other receivables	39,498	
Amounts due from fellow subsidiaries	22	
Amounts due from related companies	2,624	
Bank balances and cash	25,995	
Trade and other payables	(31,657)	
Amount due to immediate holding company	(2,041)	
Amounts due to intermediate holding companies	(1,931)	
Amount due to a shareholder	(53)	
Amount due to a minority shareholder of a subsidiary	(573)	
Amounts due to related companies	(595)	
Income tax payable	(1,115)	
Bank borrowings	(27,920)	
Deferred tax liability	(231)	
Minority interests	(14,476)	
Net assets of China Rope Group as at 30th June, 2008	44,543	
Less: Minority interests	(13,363)	
70% of net assets of China Rope Group acquired		31,180
Consideration	25,541	
Less: Effect on discounting to present value on consideration payable	(1,020)	
Add: Transaction costs	1,386	
		(25,907)
Discount on acquisition *(Remark)*		5,273

   Remark: The Group's interest in the net fair value of the China Rope Group's identifiable assets and liabilities exceeds the cost of business combination, the excess is recognised immediately in profit and loss.

2. Adjustment to reverse the interest in associates after acquisition of China Rope Group on the assumption that the acquisition had taken place on 30th June, 2008.

3. Adjustment to reverse the goodwill arising on acquisition of Bridon Tianjin Rope Ltd. by China Rope.

4. Adjustment to record settlement of (i) HK$1,167,000 owed by China Rope to a bank (ii) HK$1,913,000 owed by China Rope to Bridon Hong Kong Limited ("Bridon HK"); and (iii) HK$1,239,000 owed by China Rope to Bridon International Limited.

5. Adjustment to record consideration of acquisition paid by China Rope to Bridon HK on completion.

6. Adjustment to record the payment of transaction costs directly attributable to the Acquisition.

7. Adjustment to reclassify the amount due from fellow subsidiaries for the sales of goods of China Rope Group to trade and other receivables; and to reclassify amount due to immediate holding company and intermediate holding company for expenses paid on behalf and service fee payable respectively to trade and other payables, which are not the intercompany of the Enlarged Group after acquisition of China Rope Group.

8. Adjustment to eliminate the intercompany balances of the Enlarged Group after acquisition of China Rope Group. The amount due to an associate of HK$803,000, represented the deposits received in advance for purchase of goods; and amount due to a shareholder and related companies of HK$53,000 and HK$595,000 respectively, represented the expenses paid on behalf by the China Rope Group for related companies.

9. Adjustment to record the consideration payable on the acquisition of China Rope Group.

10. Adjustment to record the effect on discounting to present value on consideration payable at discount rate of 5.5% which is determined based on the interest rate of loans with similar terms of the Group.

The following is the text of a report, prepared for inclusion in this circular, from the reporting accountants of Golik Holdings Limited, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF GOLIK HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Golik Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the major transaction in connection with the acquisition of shareholding interest in China Rope Holdings Limited might have affected the financial information presented, for inclusion in Appendix III to the circular dated 28th November, 2008 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on Appendix III to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Enlarged Group as at 30th June, 2008 or any further date.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Dated 28th day of November, 2008

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. STATEMENT OF INDEBTEDNESS

At the close of business on 30th September, 2008 being the latest practicable date prior to the printing of this circular, the Enlarged Group had outstanding bank borrowings of approximately HK$924,475,000 (of which HK$19,196,000 was secured by fixed charges on certain of the Enlarged Group's assets, including properties and short-term bank deposits) representing term loans, mortgage loan, bank overdrafts and trust receipt loans. In addition, the Enlarged Group had outstanding at that date obligations under hire purchase contract and finance leases of approximately HK$2,946,000 (which were secured by the lessor's charge over the leased assets) and amounts due to minority shareholders of approximately HK$2,836,000.

Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 30th September, 2008 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

B. WORKING CAPITAL

As at the Latest Practicable Date, after taking into account of the available credit facilities and the internal resources of the Enlarged Group, the Directors were of the opinion that the Enlarged Group had sufficient working capital for the 12-month period from the date of this circular.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2007, being the date to which the latest audited financial statements of the Group were made up.

D. FINANCIAL AND TRADING PROSPECTS

After the Acquisition, the Enlarged Group will continue its existing principal business of manufacturing and sales of steel and metal products and construction materials, including manufacturing and sales of steel wire ropes for elevators.

As stated in the annual report of the Company for the year ended 31st December, 2007, the Group had already formulated new business strategies which would expand and strengthen the PRC's domestic market and broaden the operating area, especially in the development of high-value-added high-end products, in face of the rapidly changing investment environments. The Group is confident that the result for the coming years will be maintained through the collective hard work of all the management team and staff.

It is anticipated that the manufacture and sale of steel wire ropes for elevators will continue to be a highly profitable industry with high turnover and profit margins and the demand of steel wire ropes will continue to grow despite the recent slowdown of the overall economic performance in the PRC. Besides, the Group will continue to explore opportunities for future expansion and greater market share in the industry in the PRC.

E. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the operating results and business review of the Target Group for each of the years ended 31st March, 2006, 2007 and 2008 and for the three months ended 30th June, 2008.

1. Liquidity and financial resources

For the year ended 31st March, 2006

For the year ended 31st March, 2006, the Target Group achieved an annual turnover of HK$82,437,000. After deduction of minority interests, the profit after taxation was HK$4,807,000.

There was no significant change in the capital and loan structure of the Target Group for the year ended 31st March, 2006.

As at 31st March, 2006, the Target Group's cash and bank balance reached HK$14,419,000. As at 31st March, 2006, current ratio (current assets to current liabilities) for the Target Group was 1.87:1. As at 31st March, 2006, total borrowings for the Target Group was HK$10,931,000.

As at 31st March, 2006, consolidated equity attributable to equity holders of the Target Group reached HK$23,510,000. As at 31st March, 2006, net gearing ratio (borrowings minus cash and bank balances to total equity) was (0.12):1.

For the year ended 31st March, 2007

For the year ended 31st March, 2007, the Target Group achieved an annual turnover of HK$115,194,000, an 40% increase compared to last year. After deduction of minority interests, the profit after taxation was HK$5,313,000.

There was no significant change in the capital and loan structure of the Target Group for the year ended 31st March, 2007.

As at 31st March, 2007, the Target Group's cash and bank balance reached HK$13,956,000. As at 31st March, 2007, current ratio (current assets to current liabilities) for the Target Group was 1.32:1. As at 31st March, 2007, total borrowings for the Target Group was HK$14,145,000.

As at 31st March, 2007, consolidated equity attributable to equity holders of the Target Group reached HK$30,111,000. As at 31st March, 2007, net gearing ratio (borrowings minus cash and bank balances to total equity) was 0.005:1.

For the year ended 31st March, 2008

For the year ended 31st March, 2008, the Target Group achieved an annual turnover of HK$211,444,000, an 84% increase compared to last year. After deduction of minority interests, the profit after taxation was HK$10,160,000.

There was no significant change in the capital and loan structure of the Target Group for the year ended 31st March, 2008.

As at 31st March, 2008, the Target Group's cash and bank balance reached HK$21,713,000. As at 31st March, 2008, current ratio (current assets to current liabilities) for the Target Group was 1.73:1. As at 31st March, 2008, total borrowings for the Target Group was HK$27,006,000.

As at 31st March, 2008, consolidated equity attributable to equity holders of the Target Group reached HK$43,567,000. As at 31st March, 2008, net gearing ratio (borrowings minus cash and bank balances to total equity) was 0.09:1.

For the three months ended 30th June, 2008

For the three months ended 30th June, 2008, the Target Group achieved a turnover of HK$73,120,000, an increase of 52% over the corresponding period of last year. After deduction of minority interests, the unaudited profit after taxation was HK$3,932,000.

There was no significant change in the capital and loan structure of the Target Group for the three months ended 30th June, 2008.

As at 30th June, 2008, the Target Group's cash and bank balance reached HK$25,995,000. As at 30th June, 2008, current ratio (current assets to current liabilities) for the Target Group was 1.68:1. As at 30th June, 2008, total borrowings for the Target Group was approximately HK$27,920,000.

As at 30th June, 2008, consolidated equity attributable to equity holders of the Target Group reached HK$48,617,000. As at 30th June, 2008, net gearing ratio (borrowings minus cash and bank balances to total equity) was 0.03:1.

2. Employees

As at 30th June, 2008, the Target Group had 441 employees and the total staff costs incurred during the three months ended 30th June, 2008 was HK$6,164,000. The total number of employees of the Target Group was 321, 387 and 441 as at 31st March, 2006, 31st March, 2007 and 31st March, 2008 respectively. Total staff costs for Target Group was HK$8,915,000, HK$13,825,000 and HK$19,703,000 for each of the years ended 31st March, 2006, 31st March, 2007 and 31st March, 2008 respectively.

Employee remuneration packages were maintained at competitive levels and employees were rewarded on a performance-related basis. Other staff benefits included Retirement benefits scheme contribution.

3. Exposure to fluctuations in exchanges rates

The Target Group's monetary assets were principally denominated in Hong Kong dollars, Renminbi, United States dollars and Euro. As the exchange rate between Hong Kong dollars and the United States dollars was fixed, the Target Group believed its exposure to exchange risk was not material.

For the fluctuation of exchange rate of Renminbi and Euro, the Target Group continued to monitor foreign exchange exposure of Renminbi and Euro and took prudence measures to minimize the currency risks.

4. Material acquisitions and disposals of subsidiaries and associated companies

The Target Group did not enter into any transactions in respect of material acquisitions and disposals of subsidiaries and associated companies for each of the years ended 31st March, 2006, 31st March, 2007 and 31st March, 2008 and for the three months ended 30th June, 2008.

5. Significant investments or capital assets

The Target Group had invested HK$1,180,000, HK$7,825,000, HK$3,452,000 and HK$14,080,000 in plant and machinery and equipment for each of the years ended 31st March, 2006, 31st March, 2007 and 31st March, 2008 and for the three months ended 30th June, 2008 respectively.

6. Future plans for material investments or capital assets/Capital commitments

As at 31st March, 2006, 31st March, 2007, 31st March, 2008 and 30th June, 2008, the Target Group had capital commitments amounting to HK$2,480,000, HK$2,260,000, HK$174,000 and HK$82,000 respectively.

7. Contingent liabilities/Pledge of assets

As at 31st March, 2006 and 31st March, 2007, the Target Group had pledged the bank deposits amounting to HK$332,000 and HK$1,360,000 respectively to bank and constructors as securities against banking facilities and collateral for the construction of property, plant and equipment.

As at 31st March, 2008, the Target Group had pledged the plant and machinery and equipment amounting to HK$9,786,000 as securities against banking facilities. As at 30th June, 2008, none of the assets of the Target Group had been pledged.

As at 31st March, 2006, 31st March, 2007, 31st March, 2008 and 30th June, 2008, the Target Group did not have any contingent liabilities.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ASSOCIATED CORPORATION

As at the Latest Practicable Date, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange are as follows:

(a) Long positions in Shares as at the Latest Practicable Date:

	Number of ordinary shares held			
Director	**Personal interests**	**Held by controlled corporation**	**Total**	**Percentage of issued shares**
Mr. Pang Tak Chung *(Note)*	137,404,708	195,646,500	333,051,208	58.70%
Mr. Ho Wai Yu, Sammy	2,000	—	2,000	0.00%
Mr. John Cyril Fletcher	150,000	—	150,000	0.03%

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

(b) Long positions in shares in associated corporations as at the Latest Practicable Date:

Director	Associated corporations in which shares or equity interests are held or interested	Number of shares or amount of equity interests held or interested	Class and/or description of shares
Mr. Pang Tak Chung	Golik Metal Industrial Company Limited	25,850 *(Note)*	Non-voting deferred shares

Note: Out of the 25,850 shares, 5,850 shares are held by Mr. Pang Tak Chung personally and 20,000 shares are held by World Producer Limited which is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, none of the Directors and chief executives of the Company have any interests and short position in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO); or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange as at the Latest Practicable Date.

(c) Directors' interest in assets and/or arrangement

None of the Directors had any direct or indirect interests in any assets which have been since 31st December, 2007 (being the date to which the latest published audited consolidated accounts of the Group was made up) acquired or disposed of by or leased to any members of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there is no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Group as a whole.

SUBSTANTIAL SHAREHOLDER

As at the Latest Practicable Date, so far as known to the Directors and chief executives of the Company, persons other than the Directors or chief executives of the Company, who has an interest or short position in the Shares and 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 is, directly or indirectly, interested in ten per cent. or more the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group are as follows:

Long positions in Shares and underlying shares of equity derivatives of the Company as at the Latest Practicable Date:

Name of Shareholder	Number of Shares	Number of underlying shares of equity derivatives	Approximate % of the total issued Shares as at the Latest Practicable Date
Golik Investments Ltd. *(Note)*	195,646,500	—	34.48%

Note: Golik Investments Ltd. is wholly owned by Mr. Pang Tak Chung.

Save as disclosed above, so far as known to the Directors and chief executives of the Company, there are no other persons other than the Directors or chief executives of the Company, who has an interest or short position in the Shares and 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 is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group as at the Latest Practicable Date.

DIRECTORS' INTEREST IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or is proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, neither the Company nor any subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) a sale and purchase agreement dated 25th April, 2007 entered into between Golik Concrete Limited and Ever Color Lithographing Factory Limited for the sale and purchase of all those pieces or parcels of ground registered in the Land Registry as Lots Nos. 12, 13, 22, 24, 26 and 75 in Demarcation District No. 84, Ping Che, Fanling, New Territories, Hong Kong together with the messuages erections and buildings thereon (if any) for a consideration of HK$29,000,000;

(b) a sale and purchase agreement dated 10th November, 2007 entered into between Tianjin Golik – The First PC Steel Strand Co., Ltd. and Tianjin Steel Wire and Cable Group Ltd.* 天津鋼綫鋼纜集團有限公司 (Now known as Tianjin Metallurgy Steel Wire and Cable Group Ltd.* 天津冶金鋼綫鋼纜集團有限公司) for the sale and purchase of OTT Wire Drawing Machine together with its spare parts used by the production of drawing per-stressed concrete steel wires for a consideration of RMB2,780,000; and

(c) the Sale and Purchase Agreement.

EXPERT AND CONSENT

The following is the qualification of the expert who has given reports which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any direct or indirect shareholding interest in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group and did not have any interest, direct or indirect, in any assets which

* *for identification purpose*

had been, since 31st December, 2007, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

Deloitte Touche Tohmatsu has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its reports and references to its name in the form and context in which they are included.

COMPETING INTEREST

As at the Last Practicable Date, so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

POLL PROCEDURE

Pursuant to bye-law 66 of the Bye-laws of the Company, a resolution put to vote of a general meeting shall be decided on a show of hands unless a poll is required under the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of a general meeting; or

(b) at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at a general meeting; or

(c) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at a general meeting; or

(d) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares conferring a right to vote at a general meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right; or

(e) any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights of all the Shareholders having the right to vote at a general meeting.

MISCELLANEOUS

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at Suite 5608, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(b) The company secretary and qualified accountant of the Company is Mr. Ho Wai Yu, Sammy, who is a fellow member of the Association of Chartered Certified Accountants ("FCCA"), an associate member of the Hong Kong Institute of Certified Public Accountants ("CPA") and a full member of the Chartered Management Institute in the United Kingdom ("MCMI").

(c) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 5608, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during the normal business hours from the date of this circular up to and including 15th December, 2008:

(a) the Memorandum of Association and Bye-laws of the Company;

(b) the audited consolidated financial statements of the Group, the text of which is set out in Appendix I to this circular;

(c) the accountants' report of the Target Group, the text of which is set out in Appendix II to this circular;

(d) the report from Messrs. Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(e) the annual reports of the Company for the two years ended 31st December, 2006 and 2007;

(f) the written consent given by Messrs. Deloitte Touche Tohmatsu referred to in this Appendix; and

(g) the material contracts referred to in this Appendix.