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Corporate Information

Executive Directors

Mr. Pang Tak Chung (*Chairman*)
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
Mr. Robert Keith Davies

Independent Non-Executive Directors

Mr. Li Chiu Wah, Joseph
Mr. Yu Kwok Kan, Stephen

Company Secretary

Mr. Ho Wai Yu, Sammy
FAIA AHKSA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Auditors

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

Principal Bankers

Dao Heng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank
Standard Chartered Bank
CITIC Ka Wah Bank Limited

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Investor and Media Relations

JOVIAN Communications Group Limited
Room 905-906, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2581 0168
email: jovian@joviancomm.com

Manufacturing of
Steel and Metal Products

- > Decoiling Centre
- > Wire Rope & Steel Wire



STEEL AND METAL PRODUCTS



- > Trading of
Steel and
Metal Products

CONSTRUCTION MATERIALS



- > Manufacturing of
Construction
Materials

- > Trading of
Construction
Materials



Chairman's Statement



“Heading towards the development of value-added steel products market in the PRC, manufacturing will remain the Group’s basis and it will keep on bringing stable return to the Group.”

I am pleased to present the annual results of Golik Holdings Limited (“the Company”) and its subsidiaries (“the Group”) for the year ended 31st December, 2001.

THE YEAR’S HIGHLIGHTS

Financial Highlights:

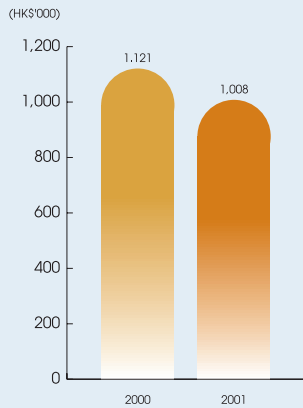
- With regard to the economic downturn during last year, turnover for the Group still recorded approximately HK\$1,008 million (2000: HK\$1,121 million), slightly decreased 10% as compared with that of the preceding year.
- Profit after taxation posted HK\$56 million, a slight decrease of 5% in comparison with that of last year. (2000: HK\$59 million)

Strategic Moves & Restructuring:

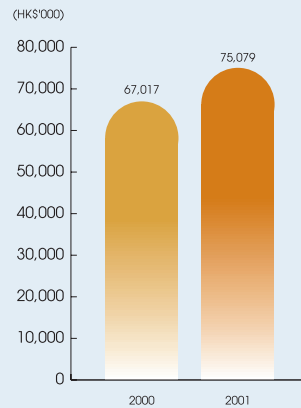
1. Heshan Hang Kei Steel Wire Manufacturing Co. Ltd. (“Heshan Hang Kei”), the Group’s subsidiary, has been awarded the “Top 10 Brand Name in China” and has successfully passed the pre-qualify supplier requirement of the “Three Gorges Dam Project”.
2. Daido Group Limited (“Daido Group”), the Group’s subsidiary, opened its Superslab Factory in August 2001, engaged in the production of Semi-Precast Slab with Lattice Girder and received favorable market responses.
3. In October 2001, the Group strategically acquired Dyna Concrete Limited (“Dyna Concrete”). Dyna Concrete is principally engaged in the business of ready mixed concrete, precast concrete pipe and concrete products. A synergy effect is created with the Company’s subsidiary company — Daido Group — achieving in diversification in suiting the government infrastructure projects.
4. During the year under review, the Group entered into an agreement with Tianjin Steel Wire and Steel Cable Group Company Limited (“Tianjin Steel Wire and Cable Group”) in the year end of 2001, establishing Tianjin Golik — No. 1 Steel Wire Rope Company Limited (“Tianjin Golik”) to further develop and manufacture high quality steel wire ropes for elevators. Tianjin Golik started its operation in January 2002.

Chairman's Statement

**TURNOVER FOR YEAR ENDED
31ST DECEMBER 2000 AND 2001**

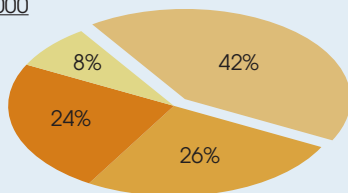


**PROFIT FROM OPERATIONS FOR YEAR ENDED
31ST DECEMBER 2000 AND 2001**

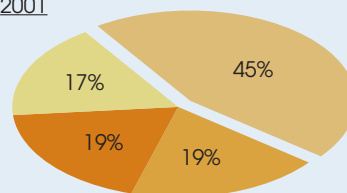


TURNOVER BY PRODUCTS IN 2000 AND 2001

2000



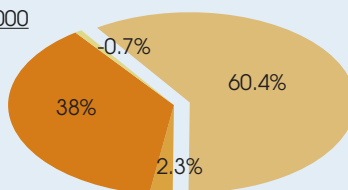
2001



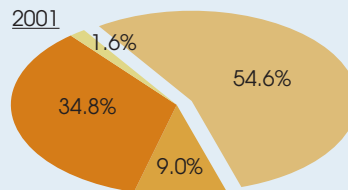
- MANUFACTURING OF STEEL AND METAL PRODUCTS
- TRADING OF STEEL AND METAL PRODUCTS
- MANUFACTURING OF CONSTRUCTION MATERIALS
- TRADING OF CONSTRUCTION MATERIALS

PROFIT SEGMENT RESULT BY PRODUCTS IN 2000 AND 2001

2000



2001



- MANUFACTURING OF STEEL AND METAL PRODUCTS
- TRADING OF STEEL AND METAL PRODUCTS
- MANUFACTURING OF CONSTRUCTION MATERIALS
- TRADING OF CONSTRUCTION MATERIALS



"The Group will continue to promote environmental friendly products and explore potential markets with an aim to maintain its position as the major supplier in the construction sector."

Chairman's Statement



OPERATION REVIEW

The Group made progress through stability in 2001. In the year under review, the performance of a portion of the Group's construction materials business was not as good as that of the previous year due to the global economy downturn and further reduction of public housing construction, while the steel business remained stable. On the other hand, the two acquisitions by the Group during the year injected new blood to the Group's businesses which further achieved our objective of product and business diversifications.

Steel and Metal Products

1. *Manufacturing of Steel and Metal Products*

The manufacturing of steel and metal products accounted for 45% of the Group's turnover in the year, remained as the Group's core business and delivered stable return to the Group.

- Decoiling Centre

With the launch of the newly established factory building in Tai Po Industrial Estate, the production for the year increased. However, the global weak price of steel and keen competition in the industry slightly affected the profit for the year, but the overall performance was still satisfactory.

- Steel Wire and Wire Rope

The business maintained steady. The Group further enhanced the product quality and the value-adding ability through improved techniques and upgraded facilities during the period. The Group's subsidiary, Heshan Hang Kei was awarded ISO and the "Top 10 Brand Name in China". In addition, the Group entered into agreement with Tianjin Steel Wire & Wire Rope Group in the year to set up Tianjin Golik to manufacture wire ropes for elevators. Tianjin Golik started operation since January 2002 to manufacture and supply high quality steel wire ropes for elevators that account for 30% share in the domestic market.

Chairman's Statement

2. *Trading of Steel and Metal Products*

The global steel price last year plunged into the lowest in the past 20 years, hence affecting the Group's steel trading business. However, our market position was further established.

Construction Materials

In the year under review, the business of construction materials accounted for 36% of the Group's turnover.

1. *Manufacturing of Construction Materials*

Influenced by the Government's further reduction in public housing construction, the performance of a portion of the Group's construction materials business such as welded wire mesh and ALC panels was not up to the expectation.

Daido Group strives to develop the environmental friendly "Semi-Precast Concrete Slab". It was launched in the market in August 2001. Feedback was in general promising and the product has been used by the Architectural Services Department and the Housing Department.

The Group acquired Dyna Concrete in October to manufacture ready-made concrete and precast concrete pipes. Dyna Concrete together with Daido Group, subsidiary of the Group, complemented the weaknesses of both parties in terms of products and facilities, creating a synergy effect. Since the products are mainly supplied to infrastructure projects, the impact resulted from the reduction of the public housing construction was minimal.



Chairman's Statement

2. *Trading of Construction Materials*

The trading business of construction materials was better than the preceding year due to the commencement of several large infrastructure projects. However, the marginal profit was still not very encouraging due to keen competition.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. As at 31st December 2001, the Group's cash and bank deposits reached HK\$124,000,000. Bank borrowings rose by 6% over prior year to approximately HK\$287,000,000.

The business operation was generally financed by the Group's internal funding. For the year, the Group maintained a healthy liquidity status with net cash inflow from operating activities amounted to approximately HK\$75,000,000 (2000: HK\$ 22,000,000).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. The Group's operation was financed by shareholders' equity.

As at 31st December 2001, consolidated shareholders' equity reached HK\$394,000,000 and aggregated interest-bearing borrowings was approximately HK\$303,000,000. The Group's debt to equity ratio was approximately 77% (2000: 83%).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December 2001, the total number of staff of the Group in Hong Kong and the PRC was 920. In addition to the set up of share options scheme, the Group also provided retirement benefits and Mandatory Provident Fund entitlement to Hong Kong's employees.

Chairman's Statement

PROSPECTS

The Group is currently heading towards the development of value-added steel products market in the PRC. Manufacturing will remain the Group's basis and it will keep on bringing stable return to the Group. Meanwhile, the Group will continue to seek opportunities to invest in value-adding steel manufacturing.

The Group endeavors to be the main supplier of comprehensive construction materials in Hong Kong and it has principally achieved its goal. The Group will carry on matching the environmental protection policies of the Government by promoting environmental friendly construction materials. It will also continue to explore the private sector and the infrastructure market with an aim to maintain its position as the major supplier in the construction sector.

Although the current business environment remains stagnant, we are prudent yet optimistic towards the future. The steady progress of the Group in the past few years regardless of the general economic situation proves that we are capable of overcoming the present difficulties. It is for certain that we can get better results once the economy rebounds.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my sincere thanks to the staff of the Group for their dedication and hard work in the past. I would also like to thank our customers, shareholders, bankers and business associates for their unfailing support during the year. With the encouraging result last year and the effort we put in, I am looking forward to a fruitful year in 2002.

Pang Tak Chung

Chairman

Hong Kong, 15th April, 2002

Directors of the Group

Mr. Pang Tak Chung, aged 53, is the chairman of the Group and founder of Golik Metal Industrial Company Limited ("Golik Metal"). He is also the chairman of Daido Group Limited ("Daido") and its subsidiaries ("Daido Group"). Mr. Pang is responsible for strategic planning, overall management and corporate development of both the Group and Daido Group. Mr. Pang has over 22 years' experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 46, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of International Accountants in the United Kingdom, an associate member of the Hong Kong Society of Accountants, a member of the Institute of Management in the United Kingdom, a full member of the Hong Kong Computer Society, a founder and honorable president of the IT Accountants Association and the founder and honorable president of Hong Kong Association of Master of Business Administration. Mr. Ho is also an executive director of the Daido Group and has over 22 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. Robert Keith Davies, aged 45, is an executive director of the Group and Daido Group. Mr. Davies is responsible for the international trading and sales of the Group and also the management, sales and marketing of the Daido Group. Educated in England, he has worked in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trading practices, management of manufacturing plants and negotiation procedures. Mr. Davies has resided in Hong Kong for more than 17 years and joined Golik Metal in 1991.

Mr. Li Chiu Wah, Joseph, aged 44, was appointed as an independent non-executive director of the Company on 27th June, 1997. Mr. Li is a practising solicitor and a Notary Public. He was formerly a Senior Crown Counsel and has over 12 year's legal experience both in government and in private practice. He is currently the principal of Joseph Li & Co., Solicitors and Notaries in Hong Kong. He holds a Master of Laws degree from the University of London.

Mr. Yu Kowk Kan, Stephen, aged 45, was appointed as an independent non-executive director of the Company on 23rd July, 1997. Mr. Yu is a partner of J. K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 19 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

Notice of 2002 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2002 Annual General Meeting of the Company will be held at Plaza IV, Lower Lobby, Century Hong Kong Hotel, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 7th June, 2002 at 10:45 a.m., for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 2001.
2. To declare a final dividend.
3. (a) To re-elect directors and to authorise the Board of Directors to fix their remuneration.
 (b) To authorise the Board of Directors to appoint additional directors and to fix the maximum number of directors.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.

As special business, to consider and if thought fit, pass the following resolutions as Ordinary Resolutions:

5. **“THAT**
 - (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on The Stock Exchange of Hong Kong Limited (the “SEHK”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the SEHK for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the SEHK (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved and authorised;
 - (b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the approval pursuant to paragraph (a) shall be limited accordingly; and
 - (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

Notice of 2002 Annual General Meeting

6. "THAT

- (a) subject to paragraph (b) below, a general mandate be and is hereby unconditionally given to the directors of the Company to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue and deal with the shares in the capital of the Company (including making and granting offers, agreements and option which would or might require the exercise of such powers, whether during the continuance of the Relevant Period or thereafter);
- (b) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted or dealt with pursuant to the approval in paragraph (a) above during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly:
 - (i) a rights issue where shares are offered for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or stock exchange in, or in any territory applicable to the Company);
 - (ii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company and approved by the SEHK;
 - (iii) any issue of shares in the Company upon the exercise of subscription rights or conversion rights attaching to any warrants or any convertible notes of the Company; or
 - (iv) any scrip dividend scheme or similar arrangement implemented in accordance with the bye-laws of the Company; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

Notice of 2002 Annual General Meeting

7. “**THAT** conditionally upon Resolutions Numbers 5 and 6 being passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares in the capital of the Company pursuant to Resolution Number 6, be and is hereby extended by the addition to the nominal value of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution Number 5, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution.”

As special business, to consider and, if thought fit, pass the following resolution as Special Resolution:

8. “**THAT** subject to the approval of the Registrar of Companies in Hong Kong, 「高力集團有限公司」 be adopted as the Chinese name of the Company and be registered in Hong Kong.”

By Order of the Board
Ho Wai Yu, Sammy
Company Secretary

Hong Kong, 15th April, 2002

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect such shares shall alone be entitled to vote in respect thereof.
- (3) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or of such power of attorney or authority thereof must be deposited at the Company’s branch share registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the meeting.
- (4) The register of members of the Company will be closed from Wednesday, 5th June, 2002 to Friday, 7th June, 2002, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Secretaries Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Tuesday, 4th June, 2002.

Directors' Report



The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2001 are set out in note 19 to the financial statements.

During the year, the Group acquired a 100% interest in Dyna Concrete Limited for a consideration of approximately HK\$8.6 million.

In addition, the Group acquired an additional 6.32% interest in Daido Group Limited ("Daido") and 10% interest in Golik Technology Limited for a consideration of approximately HK\$15.2 million and HK\$1.3 million respectively and disposed of 8% interest in Fulwealth Metal Factory Limited to minority shareholders for a consideration of approximately HK\$7 million.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 23.

The directors recommend the payment of a final dividend of HK\$0.02 per share, amounting to approximately HK\$11,347,000 to the shareholders of the Company whose names appear on the register of members on 7th June, 2002 and the retention of the remaining profit for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 74 of the annual report.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$42 million.

In addition, the Group acquired property, plant and equipment with a net book value of approximately HK\$40 million through the acquisition of a subsidiary.

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

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the authorised and issued share capital and share options of the Company during the year are set out in notes 28 and 29 respectively to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

BORROWINGS

Details of notes payable to a shareholder, bank borrowings and obligations under finance leases and hire purchase contracts of the Group are set out in notes 27, 32 and 33 respectively to the financial statements.

No interest was capitalised by the Group during the year.

Directors' Report

DIRECTORS

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

Executive directors

Mr. Pang Tak Chung (*Chairman*)
 Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
 Mr. Robert Keith Davies

Non-executive directors

Madam Song Tao	(retired on 31st May, 2001)
Mr. Song Zuoxing	(retired on 31st May, 2001)

Independent non-executive directors

Mr. Li Chiu Wah, Joseph
 Mr. Yu Kwok Kan, Stephen

In accordance with Clauses 86(2) and 87 of the Company's Bye-Laws, Mr. Ho Wai Yu, Sammy retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

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

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

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

(1) Shares

At 31st December, 2001, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the registers kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of ordinary shares held	
	Personal interest	Corporate interest
Mr. Pang Tak Chung (<i>Note</i>)	135,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	7,296,000	-
Mr. Robert Keith Davies	1,544,000	-

Note: The 195,646,500 shares are held by Golik Investments Ltd. ("GIL"). GIL is a wholly-owned subsidiary of Golik International Group Limited ("GIGL"). GIGL is owned as to 38.95% by World Producer Limited, as to 52.39% by Jetworld Development Limited and as to 8.66% by Mr. Pang Tak Chung. The entire issued share capital of Jetworld Development Limited is owned by Mr. Pang Tak Chung. World Producer Limited is owned as to 75% by King World Holdings Limited and as to 25% by Pacific States Limited. The entire issued share capital of King World Holdings Limited and Pacific States Limited is owned by Mr. Pang Tak Chung and Mr. Robert Keith Davies respectively.

(2) Options

The directors had personal interests in share options to subscribe for shares in the Company and Daido as follows:

(i) *The Company*

No share option was granted to or exercised by any of the Company's directors under the scheme during the year and there was no share option outstanding as at 31st December, 2001.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(ii) *Daido*

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options as at 1.1.2001 and 31.12.2001
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	50,000,000
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000

Details of the Share Option Schemes are set out in note 29 to the financial statements.

There was no movement in share options granted under the scheme during the year.

(3) Shares in subsidiaries

At 31st December, 2001, Mr. Pang Tak Chung has personal and corporate interests in 5,850 and 20,000 non-voting deferred shares respectively in Golik Metal Industrial Company Limited ("GMI"). The corporate interest is held by World Producer Limited. In addition, Mr. Ho Wai Yu, Sammy has personal interest of 440,000 shares in Daido.

Save as disclosed above, none of the Company's directors or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st December, 2001.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 2 of the section headed "Connected Transactions" below, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

- (1) The Group disposed of 8% interest in Fulweath Metal Factory Limited to minority shareholders for a consideration of approximately HK\$7,000,000. Details of this transaction had been included in the announcement of the Company dated 12th January, 2001.

The independent non-executive directors of the Company had reviewed and approved the above transaction and confirmed that such transaction had been carried out on normal commercial terms and at an arm's length basis.

- (2) During the year, the Group repaid the 6% notes with an aggregate outstanding balance of HK\$22,850,000 to GIL.

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES

- (1) In 2000, Golik Metal Manufacturing Co. Limited ("GMM"), a non-wholly owned subsidiary was disposed of to Daido in pursuant to the agreement (the "Agreement") entered into between GMI, a wholly owned subsidiary, Daido Concrete (H.K.) Limited and Tak Sun Limited ("Tak Sun"), both of which are wholly owned subsidiaries of Daido.

Pursuant to the Agreement:

- (i) GMI warrants that the net tangible assets value of GMM at 31st March, 2000 shall be not less than HK\$32 million (the "NAV Guarantee") and the aggregate profit of GMM after taxation as shown in its audited income statement for the two financial years ended 31st December, 2001 shall be not less than HK\$20 million (the "Profit Guarantee").

At 31st December, 2001, approximately HK\$7.6 million is payable to Tak Sun by GMI for the shortfall of the Profit Guarantee in accordance with the terms of the Agreement.

- (ii) GMM will continue, in its normal course of business and at an arm's length basis, purchase wire rods and accessories, which are the raw materials used in the production of welded wire mesh from GMI until August 2001 (the "Purchases") in order to set up new banking facilities and establish relationship with the new suppliers. The aggregate value of the Purchases for the two financial years ended 31st December, 2001 should not exceed the value of HK\$65 million (the "Waiver Limit"). Thereafter, the terms of the Purchases and the Waiver Limit will be reviewed and approved by the independent shareholders at a general meeting if the Purchases are to be continued.

Total Purchases from GMI for the period from 29th August, 2000 to 31st December, 2001 amounting approximately to HK\$17 million, of which, HK\$11 million are for the period from 29th August, 2000 to 31st December, 2000.

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES *(Continued)*

Details of these transactions have been included under the Section "On-Going Transactions" in the Circular dated 3rd August, 2000 issued to the shareholders of the Company.

The independent non-executive directors of the Company had reviewed and approved the above transactions and confirmed that such transactions had been carried out (a) on normal commercial terms; (b) in the ordinary and usual course of business of GMM and GMI; (c) on terms that are fair and reasonable and no less favourable than terms available to GMM from third parties so far as the shareholders of the Company are concerned; and (d) up to 31st December, 2001, the aggregate value of the transactions does not exceed the Waiver Limit granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out in the Circular.

- (2) Daido Asia Company Limited ("DACL"), a non-wholly owned subsidiary, has rented from Golik Godown Limited ("GGL"), a wholly owned subsidiary, a warehouse for storage of its products. The total amount including rent and infreight charges paid to GGL by DACL for the year was approximately HK\$3 million.

Details of these transactions have been included in the announcement of the Company dated 18th September, 2001 (the "Announcement").

The independent non-executive directors of the Company had reviewed and approved the above transactions and confirmed that such transactions had been carried out (a) in the ordinary and usual course of business of DACL and GGL; (b) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; (c) in accordance with the terms of the agreements governing such transactions; and (d) the aggregate amount of the transactions does not exceed the limit of HK\$7.5 million granted by the Stock Exchange as set out in the Announcement.

- (3) In addition to the above, during the year, the following transactions have been carried out between GMI and its subsidiaries ("GMI Group") and Daido and its subsidiaries ("Daido Group"):

	<i>HK\$'000</i>
Sales of goods to Daido Group by GMI Group	6,516
Purchases of goods from Daido Group by GMI Group	2,760
Interest received from Daido Group by GMI Group	1,048

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 43% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 12% of the Group's total purchases.

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

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 to the financial statements.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

AUDITORS

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

On behalf of the Board

Pang Tak Chung
Chairman

15th April, 2002

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

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

We have audited the financial statements on pages 23 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
15th April, 2002

Consolidated Income Statement

For the year ended 31st December, 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Turnover	4	1,008,158	1,121,456
Cost of sales		<u>(845,618)</u>	<u>(929,989)</u>
Gross profit		162,540	191,467
Other revenue	5	34,410	16,540
Selling and distribution costs		(32,810)	(22,757)
Administrative expenses	6	(95,484)	(118,217)
Other operating expenses		(475)	(16)
Write back of provision for claims	7	<u>6,898</u>	<u>-</u>
Profit from operations	8	75,079	67,017
Written off of expenses for proposed investment	9	(7,161)	(5,550)
Finance costs	10	(19,810)	(23,648)
Interest income		5,383	16,432
(Loss) gain on disposal of an associate/subsidiaries	11	(34)	6,817
Share of results of a jointly controlled entity		<u>-</u>	<u>(1,614)</u>
Profit before taxation		53,457	59,454
Taxation credit (charge)	13	<u>2,521</u>	<u>(762)</u>
Profit after taxation		55,978	58,692
Minority interests		<u>(21,714)</u>	<u>(24,982)</u>
Net profit for the year		<u>34,264</u>	<u>33,710</u>
Dividend proposed of HK\$0.02 (2000: HK\$Nil) per share	14	<u>11,347</u>	<u>-</u>
Earnings per share	15		
Basic		<u>6.04 cents</u>	<u>5.96 cents</u>
Diluted		<u>6.00 cents</u>	<u>5.85 cents</u>

Consolidated Balance Sheet

At 31st December, 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Non-current Assets			
Negative goodwill	16	(6,147)	-
Investment properties	17	46,600	46,600
Property, plant and equipment	18	345,683	289,377
Investment in a security	20	5,000	5,000
Long-term receivables	21	1,955	3,342
Rental deposits and other assets		1,251	5,908
		<u>394,342</u>	<u>350,227</u>
Current Assets			
Inventories	22	143,164	165,440
Trade and other receivables	23	383,647	359,245
Amounts due from customers for contract work	24	72	134
Amounts due from minority shareholders	25	-	233
Tax recoverable		354	1,510
Pledged bank deposits	40	2,942	16,094
Bank balances and cash		120,980	105,735
		<u>651,159</u>	<u>648,391</u>
Current Liabilities			
Amounts due to customers for contract work	24	35,685	48,295
Trade and other payables	26	181,388	162,241
Amounts due to minority shareholders	25	7,232	10,792
Amount due to a shareholder		124	-
Notes payable to a shareholder	27	-	22,850
Tax payable		1,429	365
Bank borrowings	32	263,182	257,229
Obligations under finance leases and hire purchase contracts	33	7,344	3,519
		<u>496,384</u>	<u>505,291</u>
Net Current Assets		<u>154,775</u>	<u>143,100</u>
		<u>549,117</u>	<u>493,327</u>

Consolidated Balance Sheet

At 31st December, 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Capital and Reserves			
Share capital	28	56,736	56,688
Reserves	30	<u>337,669</u>	<u>302,708</u>
		<u>394,405</u>	<u>359,396</u>
Minority interests			
		<u>115,658</u>	<u>107,240</u>
Non-current Liabilities			
Deferred tax	31	4,660	9,410
Bank borrowings	32	23,853	12,522
Obligations under finance leases and hire purchase contracts	33	8,978	2,651
Long-term payables	34	<u>1,563</u>	<u>2,108</u>
		<u>39,054</u>	<u>26,691</u>
		<u>549,117</u>	<u>493,327</u>

The financial statements on pages 23 to 73 were approved and authorised for issue by the Board of Directors on 15th April, 2002 and are signed on its behalf by:

Pang Tak Chung
Chairman

Ho Wai Yu, Sammy
Vice Chairman

Balance Sheet

At 31st December, 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
Non-current Assets			
Property, plant and equipment	18	843	803
Investments in subsidiaries	19	244,210	251,283
Investment in a security	20	5,000	5,000
Rental deposits and other assets		672	709
		<u>250,725</u>	<u>257,795</u>
Current Assets			
Other receivables		56,528	57,780
Amounts due from subsidiaries		213,486	239,536
Bank balances and cash		448	428
		<u>270,462</u>	<u>297,744</u>
Current Liabilities			
Other payables		2,917	11,505
Amounts due to subsidiaries		4,897	4,938
Notes payable to a shareholder	27	-	22,850
Bank borrowings	32	20,000	20,000
		<u>27,814</u>	<u>59,293</u>
Net Current Assets			
		<u>242,648</u>	<u>238,451</u>
		<u>493,373</u>	<u>496,246</u>
Capital and Reserves			
Share capital	28	56,736	56,688
Reserves	30	436,637	437,450
		<u>493,373</u>	<u>494,138</u>
Non-current Liabilities			
Long-term payables	34	-	2,108
		<u>493,373</u>	<u>496,246</u>

Pang Tak Chung
Chairman

Ho Wai Yu, Sammy
Vice Chairman

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December, 2001

	<u>2001</u> <i>HK\$'000</i>	<u>2000</u> <i>HK\$'000</i>
Exchange difference arising on translation of overseas operations not recognised in the consolidated income statement	52	204
Net profit for the year	<u>34,264</u>	<u>33,710</u>
Total recognised gains	34,316	33,914
Elimination against reserves of goodwill arising on acquisition of subsidiaries	<u>-</u>	<u>(7,215)</u>
	<u>34,316</u>	<u>26,699</u>
Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (see note 2) - increase in accumulated profits at 1st January, 2000		<u>11,168</u>

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	Notes	2001 <u>HK\$'000</u>	2000 <u>HK\$'000</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	35	<u>75,161</u>	<u>21,724</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(21,827)	(21,969)
Interest received		2,484	20,009
Dividends paid to the minority shareholders of subsidiaries		(8,506)	(9,150)
Dividend paid		<u>-</u>	<u>(11,329)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(27,849)</u>	<u>(22,439)</u>
TAXATION			
Hong Kong Profits Tax paid		(405)	(6,184)
Overseas taxation paid		(433)	(331)
Hong Kong Profits Tax refunded		<u>829</u>	<u>458</u>
NET CASH OUTFLOW FROM TAXATION		<u>(9)</u>	<u>(6,057)</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(20,242)	(37,966)
Acquisition of further interests in subsidiaries from minority shareholders		(16,480)	(6,502)
Payment of deferred consideration on acquisition of interest in subsidiaries		(8,433)	-
Decrease (increase) in pledged bank deposits		13,152	(16,094)
Net inflow (outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	36	7,961	(1,905)
Proceeds from disposal of interest in a subsidiary to minority shareholders		6,968	349
Proceeds from disposal of property, plant and equipment		252	2,282
Repayment of (advances to) minority shareholders		233	(233)
Advances of loan		-	(15,000)
Acquisition of investment in a security		-	(5,000)
Purchase of investment properties		-	(1,123)
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	37	-	15,193
Proceeds from disposal of properties held for sale		-	6,255
Amount advanced from a jointly controlled entity		-	187
Proceeds from disposal of an associate		<u>-</u>	<u>47</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(16,589)</u>	<u>(59,510)</u>

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	Note	2001 HK\$'000	2000 HK\$'000
NET CASH INFLOW (OUTFLOW) BEFORE FINANCING		30,714	(66,282)
FINANCING	38		
Proceeds from issue of shares		116	2,040
Expenses on issue of shares		-	(25)
Mortgage loans raised		23,401	21,853
Repayment of mortgage loans		(11,565)	(11,381)
Net borrowing of trust receipt loans		17,037	47,971
Notes issued to a shareholder		-	40,000
Repayment of notes payable to a shareholder		(22,850)	(17,150)
Bank loans raised		40,118	2,263
Repayment of bank loans		(37,263)	(25,030)
Repayment of obligations under finance leases and hire purchase contracts		(6,612)	(3,703)
(Repayment of) advance from minority shareholders		(3,560)	6,559
Advance from a shareholder		124	-
Injection from minority shareholders		-	90
NET CASH (OUTFLOW) INFLOW FROM FINANCING		(1,054)	63,487
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		29,660	(2,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		74,871	77,676
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		29	(10)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		104,560	74,871
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		120,980	105,735
Bank overdrafts		(16,420)	(11,472)
Trust receipt loans		-	(19,392)
		104,560	74,871

Notes to the Financial Statements

For the year ended 31st December, 2001

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 principal activities of the Group are manufacturing and sales of steel and metal products and construction materials and manufacturing, sales and installation of autoclaved aerated lightweight concrete blocks and panels ("ALC Products").

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds at 1st January, 2000 by HK\$11,168,000. Comparative information has been restated to reflect this change in accounting policy.

Leases

In accordance with SSAP 14 (Revised) "Leases", some amendments were introduced to the basis of accounting for operating leases and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Notes to the Financial Statements

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment reporting". Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Subsidiaries

A subsidiary is an enterprise over which the Company has control, either directly or indirectly. Control is the power to govern the financial and operating policies of an enterprise 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.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any identified impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Other

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

Commission, consultancy, management, processing and other service income are recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case, the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses, if any.

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

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

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

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

Assets held under hire purchase contracts are depreciated over their estimated useful lives on the same basis as owned assets.

No provision for depreciation is made on assets under installation and construction in progress until such time as the relevant assets are completed and put into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in the income statement.

Leased assets and assets held under hire purchase contracts

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases and hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor or hirer, net of interest charges, is included in the balance sheet as a finance lease and hire purchase obligation. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease and contract so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Inventories

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

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

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as advances received. Amounts billed for work performed but not yet paid by the customers, are included in the balance sheet within trade and other receivables.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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 losses are 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 a revaluation decrease under that other standard.

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 a revaluation increase under that other standard.

Notes to the Financial Statements

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than Hong Kong dollars and which operate in The People's Republic of China ("PRC") and overseas are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

Retirement benefits scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of current year to the Group's mandatory provident fund scheme.

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into five operating divisions – manufacturing of steel and metal products, sales of steel and metal products, construction work contracting and sales of concrete 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:

2001

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External sales	454,983	188,901	65,381	123,876	175,017	-	1,008,158
Inter-segment sales	9,965	28,391	-	6,185	16,879	(61,420)	-
Total revenue	464,948	217,292	65,381	130,061	191,896	(61,420)	1,008,158
SEGMENT RESULT	43,134	7,105	20,769	6,779	1,293	65	79,145
Amortisation of goodwill, net							(123)
Unallocated other revenue							6,898
Unallocated corporate expenses							(10,841)
Profit from operations							75,079

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION (Continued)

2001 (Continued)

Balance Sheet

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	313,822	244,033	163,711	202,430	93,332	(104,247)	913,081
Unallocated corporate assets							132,420
Consolidated total assets							1,045,501
LIABILITIES							
Segment liabilities	91,931	32,993	54,655	114,083	37,444	(97,223)	233,883
Unallocated corporate liabilities							301,555
Consolidated total liabilities							535,438

Other Information

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditures	2,452	21	20,920	14,166	2,958	1,052	41,569
Depreciation	8,412	724	5,332	7,599	787	1,208	24,062
Amortisation of goodwill, net	-	-	-	-	-	123	123

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION (Continued)

2000

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE							
External sales	468,301	288,193	169,932	101,472	93,558	-	1,121,456
Inter-segment sales	7,010	51,381	-	13,014	22,420	(93,825)	-
Total revenue	475,311	339,574	169,932	114,486	115,978	(93,825)	1,121,456
SEGMENT RESULT	50,492	1,941	28,961	2,851	(610)	25	83,660
Unallocated corporate expenses							(16,643)
Profit from operations							67,017

Balance Sheet

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	362,252	182,511	156,355	126,453	134,048	(96,394)	865,225
Unallocated corporate assets							133,393
Consolidated total assets							998,618
LIABILITIES							
Segment liabilities	120,074	20,441	82,506	47,691	64,832	(116,684)	218,860
Unallocated corporate liabilities							313,122
Consolidated total liabilities							531,982

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION (Continued)

2000 (Continued)

Other Information

	Manufacturing of steel and metal products <i>HK\$'000</i>	Sales of steel and metal products <i>HK\$'000</i>	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Manufacturing of construction materials <i>HK\$'000</i>	Sales of construction materials <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital expenditures	37,243	88	2,980	8,161	837	182	49,491
Depreciation	8,806	734	5,044	6,556	703	1,119	22,962

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		Contribution to profit from operations	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Hong Kong	745,135	760,419	69,096	78,963
Other regions in the PRC	237,636	308,746	9,562	4,270
United Kingdom	15,744	4,038	160	(3)
Australia	5,290	12,538	(154)	209
Others	4,353	35,715	481	221
	1,008,158	1,121,456	79,145	83,660
Amortisation of goodwill, net			(123)	-
Unallocated other revenue			6,898	-
Unallocated corporate expenses			(10,841)	(16,643)
Profit from operations			75,079	67,017

Notes to the Financial Statements

For the year ended 31st December, 2001

4. SEGMENT INFORMATION (Continued)

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	833,242	767,500	31,054	43,740
Other regions in the PRC	191,815	216,941	2,293	3,253
United Kingdom	16,698	11,087	8,215	2,498
Australia	3,746	3,090	7	-
	1,045,501	998,618	41,569	49,491

5. OTHER REVENUE

	2001	2000
	HK\$'000	HK\$'000
Claims received	5,708	896
Commission income	3,693	3,741
Consultancy income	2,850	-
Customs duty refund	2,200	578
Exchange gains, net	-	257
Gain on disposal of properties held for sale	-	909
Gain on disposal of property, plant and equipment	-	1,500
Management income	212	883
Other service income	234	-
Processing income	2,142	497
Property manager remuneration	474	592
Rental income	3,374	2,159
Sales of metal scrap	2,604	1,548
Sundry income	4,041	2,550
Transportation income	2,048	430
Write back of provision for severance payments	4,830	-
	34,410	16,540

Notes to the Financial Statements

For the year ended 31st December, 2001

6. ADMINISTRATIVE EXPENSES

Included in administrative expenses is a net bad debt recovery of approximately HK\$5,380,000 (2000: provision for bad and doubtful debts HK\$10,577,000).

7. WRITE BACK OF PROVISION FOR CLAIMS

The amount represented the reversal of a warranty provision in respect of trading of concrete products and property development businesses in prior periods. As the warranty period has lapsed, the amount is written back accordingly.

8. PROFIT FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in administrative expenses	526	-
Auditors' remuneration		
Current year	2,743	2,552
Underprovision in prior years	319	195
Depreciation		
Owned assets	22,495	21,089
Assets held under finance leases and hire purchase contracts	1,567	1,873
Loss on disposal of property, plant and equipment	352	-
Minimum lease payments for operating leases in respect of		
Land and buildings	4,639	3,218
Plant and machinery	559	76
Impairment loss recognised in respect of a jointly controlled entity	-	119
Staff costs including directors' emoluments and retirement benefits scheme contributions	100,770	134,440
Amount capitalised in contract work	(12,469)	(26,883)
Amount capitalised in assets under installation	(1,762)	(966)
	86,539	106,591
and after crediting:		
Release of negative goodwill to reduce administrative expenses	403	-

Minimum lease payments for operating leases in respect of a director's and an employee's accommodation amounting to approximately HK\$1,725,000 (2000: HK\$1,272,000) are included under staff costs.

Notes to the Financial Statements

For the year ended 31st December, 2001

9. WRITTEN OFF OF EXPENSES FOR PROPOSED INVESTMENT

On 17th November, 2000 and 19th January, 2001, the Company's subsidiaries, Daido Group Limited and Eastcom Holdings Limited, entered into agreements (the "Acquisition Agreements") with the Liquidators of Siu Fung Ceramics Holdings Limited and its subsidiaries ("Siu Fung Group"), for the purchase of interests in and loans due to Siu Fung Group from certain joint venture companies.

Pursuant to the joint announcement dated 21st March, 2001, the Acquisition Agreements have not been completed due to non-fulfillment of the conditions precedent relating to the due diligence exercise, the waivers on all the pre-emptive rights from the other joint venture partners and the transfer of the interests of the joint venture companies. Accordingly, the Acquisition Agreements have lapsed and the deposits paid amounting to a total of HK\$2,500,000 were forfeited by the vendor.

Total expenses incurred of HK\$12,711,000 in respect of the acquisition, including the forfeited deposits, have been charged to the consolidated income statement, of which, HK\$5,550,000 had been reflected in the consolidated income statement of the Group for the year ended 31st December, 2000.

10. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	18,273	21,182
Bank borrowings not wholly repayable within five years	165	-
Finance leases and hire purchase contracts	648	433
Notes payable to a shareholder	157	1,673
Other borrowings wholly repayable within five years	567	360
	19,810	23,648

11. (LOSS) GAIN ON DISPOSAL OF AN ASSOCIATE/SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
(Loss) gain on disposal of interest in a subsidiary	(34)	2
Gain on disposal of an associate	-	47
Gain on disposal of subsidiaries	-	6,768
	(34)	6,817

Notes to the Financial Statements

For the year ended 31st December, 2001

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	-	-
Non-executive	-	90
Independent non-executive	144	125
	144	215
Other emoluments:		
Executive		
Salaries and other benefits	7,809	10,635
Contributions to retirement benefits scheme	361	314
	8,170	10,949
	8,314	11,164

The directors' emoluments were within the following bands:

	2001 Number of directors	2000 Number of directors
HK\$Nil to HK\$1,000,000	4	5
HK\$1,500,001 – HK\$2,000,000	1	-
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	-	1
HK\$3,500,001 – HK\$4,000,000	1	-
HK\$6,000,001 – HK\$6,500,000	-	1
	7	8

No director waived any emoluments for the two years ended 31st December, 2001.

Notes to the Financial Statements

For the year ended 31st December, 2001

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

The five highest paid individuals included three directors (2000: three directors), details of whose emoluments are set out above. The emoluments of the remaining two individual (2000: two individuals), excluding commission on sales generated by the employees, are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries and other benefits	4,037	4,612
Contributions to retirement benefits scheme	58	8
	4,095	4,620

Their emoluments were within the following bands:

	2001 <i>No. of employees</i>	2000 <i>No. of employees</i>
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	2
	2	2

13. TAXATION CREDIT (CHARGE)

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	(2,838)	(2,930)
Overprovision in respect of prior years	775	3,528
Overseas taxation		
Current year	(166)	(360)
Deferred tax (note 31)	4,750	(1,000)
	2,521	(762)

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

Notes to the Financial Statements

For the year ended 31st December, 2001

14. DIVIDEND

On 23rd June, 2000, a dividend of HK\$0.02 per share was paid to shareholders as the final dividend in respect of 1999.

No dividend was paid in respect of 2000.

A dividend in respect of 2001 of HK\$0.02 per share, amounting to approximately HK\$11,347,000 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2001 HK\$'000	2000 HK\$'000
Earnings for the purpose of basic earnings per share	34,264	33,710
Effect of interest on convertible notes	-	328
Adjustment to the share of result of subsidiaries based on the effect of dilutive share options	(202)	(12)
Earnings for the purpose of diluted earnings per share	34,062	34,026
Weighted average number of ordinary shares for the purpose of basic earnings per share	567,322,637	565,367,937
Effect of dilutive convertible notes	-	15,179,112
Effect of dilutive share options	66,023	1,230,408
Weighted average number of ordinary shares for the purpose of diluted earnings per share	567,388,660	581,777,457

Notes to the Financial Statements

For the year ended 31st December, 2001

16. GOODWILL (NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000	Total HK\$'000
GROSS AMOUNT			
Arising on acquisition of a subsidiary	-	(11,283)	(11,283)
Arising on acquisition of further interests in subsidiaries	5,259	-	5,259
At 31st December, 2001	5,259	(11,283)	(6,024)
AMORTISATION/RELEASED TO INCOME (Amortised) released for the year and at 31st December, 2001			
	(526)	403	(123)
CARRYING AMOUNT			
At 31st December, 2001	4,733	(10,880)	(6,147)

Negative goodwill is presented as a deduction from assets and is released to income on a straight-line basis over 28 years, being the remaining useful life of the non-monetary assets acquired.

17. INVESTMENT PROPERTIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of the year	46,600	14,500
Additions	-	28,923
Reclassification from leasehold land and buildings	-	3,193
Decrease on revaluation	-	(16)
At end of the year	46,600	46,600

Notes to the Financial Statements

For the year ended 31st December, 2001

17. INVESTMENT PROPERTIES (Continued)

The Group's investment properties comprise:

	2001 HK\$'000	2000 HK\$'000
Properties held under medium term leases:		
In Hong Kong	43,400	43,400
Other regions in the PRC	3,200	3,200
	46,600	46,600

Investment properties situated in Hong Kong and the PRC were revalued at 31st December, 2001 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. The net decrease arising on revaluation in 2000 of HK\$16,000 had been charged to the consolidated income statement.

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

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Plant and machinery and equipment HK\$'000	Assets under installation HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
COST								
At 1st January, 2001	329,689	18,738	15,819	14,620	259,327	5,031	-	643,224
Exchange differences	-	-	(4)	(13)	(98)	-	-	(115)
On acquisition of								
a subsidiary	64,251	264	585	73	21,100	-	-	86,273
Additions	7,812	700	852	1,635	6,828	21,442	2,300	41,569
Disposals	-	(52)	(918)	(1,248)	(411)	-	-	(2,629)
Reclassification	(503)	2,465	(974)	-	24,989	(25,977)	-	-
At 31st December, 2001	401,249	22,115	15,360	15,067	311,735	496	2,300	768,322
DEPRECIATION								
At 1st January, 2001	178,185	12,676	10,643	9,829	142,514	-	-	353,847
Exchange differences	-	-	(1)	(1)	(12)	-	-	(14)
On acquisition of								
a subsidiary	32,251	263	422	73	13,760	-	-	46,769
Provided for the year	5,220	1,064	1,527	1,901	14,350	-	-	24,062
Eliminated on disposals	-	(7)	(594)	(1,126)	(298)	-	-	(2,025)
Reclassification	(112)	497	(497)	-	112	-	-	-
At 31st December, 2001	215,544	14,493	11,500	10,676	170,426	-	-	422,639
NET BOOK VALUES								
At 31st December, 2001	185,705	7,622	3,860	4,391	141,309	496	2,300	345,683
At 31st December, 2000	151,504	6,062	5,176	4,791	116,813	5,031	-	289,377

Notes to the Financial Statements

For the year ended 31st December, 2001

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1st January, 2001	617	400	305	1,322
Additions	-	38	286	324
At 31st December, 2001	617	438	591	1,646
DEPRECIATION				
At 1st January, 2001	246	151	122	519
Provided for the year	123	86	75	284
At 31st December, 2001	369	237	197	803
NET BOOK VALUES				
At 31st December, 2001	248	201	394	843
At 31st December, 2000	371	249	183	803

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

	The Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Leasehold land and buildings:		
Situated in Hong Kong held under medium term leases	125,679	96,565
Situated in other regions in the PRC held under medium term leases	52,949	54,939
Situated outside Hong Kong held under freehold	7,077	-
	185,705	151,504
Construction in progress:		
Situated in Hong Kong held under medium term leases	2,300	-
	188,005	151,504

The net book values of motor vehicles and plant and machinery and equipment of the Group include an amount of approximately HK\$0.4 million (2000: HK\$0.6 million) and approximately HK\$28.9 million (2000: HK\$9.1 million) respectively in respect of assets held under finance leases and hire purchase contracts.

Notes to the Financial Statements

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	244,210	251,283

Particulars of the principal subsidiaries at 31st December, 2001 are as follows:

Name	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Daido Asia Company Limited	Hong Kong	HK\$2,000,000 Ordinary shares	61.11%	Sales of piles, metal products and building materials
Daido Building Materials Limited	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares **	61.11%	Manufacturing and sales of ALC Products
Daido Concrete (H.K.) Limited	Hong Kong	HK\$750,000,000 Ordinary shares	61.11%	Investment holding
Daido Group Limited	Bermuda	HK\$30,000,000 Ordinary shares	61.11%	Investment holding
Daido Home Finance Limited	Hong Kong	HK\$100,000 Ordinary shares	61.11%	Money lending
Daido Home International Limited	Cayman Islands	HK\$225,375,000 Ordinary shares HK\$91,500,000 Convertible redeemable preference shares ***	61.11%	Investment holding, sales and installation of ALC Products and sales of building materials

Notes to the Financial Statements

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Daido Precast Company Limited	Hong Kong	HK\$2 Ordinary shares	61.11%	Manufacturing and sales of semi- precast concrete slab
Ding Cheong Limited	Hong Kong	HK\$500,000 Ordinary shares	55%	Sales of construction materials
Dyna Concrete Limited	Hong Kong	HK\$60,000,000 Ordinary shares	100%	Construction and sales of concrete pipes and related products
Fulwealth Metal Factory Limited *	Hong Kong	HK\$20,000,000 Ordinary shares	77%	Decoiling centre
Golik Godown Limited	Hong Kong	HK\$2 Ordinary shares	100%	Provision for warehouse services
Golik Metal Industrial Company Limited *	Hong Kong	HK\$10,000 Ordinary shares HK\$5,135,000 Non-voting deferred shares **	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Hong Kong	HK\$30,000,000 Ordinary shares	61.11%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited	Hong Kong	HK\$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Sales of steel bars

Notes to the Financial Statements

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei")	The People's Republic of China	US\$3,880,000 Registered capital	60% (note)	Manufacturing and sales of steel wire products and steel ropes
Jade Ocean Limited	Hong Kong	HK\$2 Ordinary shares	100%	Property holding
Kam Sing Limited *	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Locusrite Limited #	United Kingdom	£100,000 Ordinary shares	80%	Manufacturing and sales of metal products
Luenik Construction Material Company Limited	Hong Kong	HK\$200,000 Ordinary shares	80%	Sales of construction materials
Stahl Trading Pty Limited #	Australia	AUS\$100 Ordinary shares	100%	Sales of steel and metal products
Tak Sun Limited	British Virgin Islands	US\$1 Ordinary share	61.11%	Investment holding
The Spacers & Bar Chairs Manufacturer Company Limited	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials
Worldlight Group Limited *	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding

Notes to the Financial Statements

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Ytong Hong Kong Limited	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares **	61.11%	Installation of ALC Products
定昌(江門)五金製品有限公司	The People's Republic of China	HK\$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣州高力鋼網製造有限公司 #	The People's Republic of China	US\$500,000 Registered capital	100%	Manufacturing and sales of welded wire mesh and related products

* Subsidiaries held directly by the Company

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

*** The convertible redeemable preference shares carry 2% dividend per annum and have the right to receive notice of, attend, speak and vote at meetings of members only for those circumstances as mentioned in the Articles of Association of the respective company.

Subsidiaries not audited by Deloitte Touche Tohmatsu.

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

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

Except for the convertible redeemable preference shares of Daido Home International Limited, none of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

20. INVESTMENT IN A SECURITY

	The Group and the Company	
	2001 HK\$'000	2000 HK\$'000
Investment security:		
Equity security, unlisted at cost	5,000	5,000

In the opinion of the directors, the carrying value of the investment is at least equal to its cost.

21. LONG-TERM RECEIVABLES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Building mortgage loans (note a)	750	894
Other loans – secured (note b)	15,000	15,000
Retention receivables (note c)	10,938	12,973
Trade receivables (note d)	1,201	1,293
	27,889	30,160
Less: amounts due within one year shown under trade and other receivables	(25,934)	(26,818)
Amounts due after one year	1,955	3,342

- (a) The building mortgage loans bear interest at 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009.
- (b) The loan is secured, bears interest at 4% (2000: 8%) per annum and is repayable in October 2002.
- (c) The retention receivables are not due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.
- (d) The amounts are aged over 120 days and are repayable by yearly instalments up to 2005.

Notes to the Financial Statements

For the year ended 31st December, 2001

22. INVENTORIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	54,121	89,397
Work in progress	5,990	5,333
Finished goods	82,690	70,354
Supplies	363	356
	143,164	165,440

Included above are raw materials of HK\$883,000 (2000: HK\$625,000), work in progress of HK\$495,000 (2000: HK\$258,000) and finished goods of HK\$3,341,000 (2000: HK\$5,247,000) which are carried at net realisable value.

23. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from C.O.D. to 150 days to its customers.

Included in trade and other receivables are trade receivables of HK\$279,862,000 (2000: HK\$247,736,000) with an aged analysis as follows:

	The Group	
	2001 HK\$'000	2000 HK\$'000
0 - 30 days	92,664	129,482
31 - 60 days	68,125	55,405
61 - 90 days	48,982	32,621
91 - 120 days	28,151	17,020
More than 120 days	41,940	13,208
	279,862	247,736

Notes to the Financial Statements

For the year ended 31st December, 2001

24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	The Group	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits less recognised losses	275,267	346,649
Progress payments received and receivable	(310,880)	(394,810)
	(35,613)	(48,161)
<hr/>		
Analysed for reporting purposes as:		
Amounts due from customers for contract work	72	134
Amounts due to customers for contract work	(35,685)	(48,295)
	(35,613)	(48,161)
<hr/>		

25. AMOUNTS DUE FROM (TO) MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand. The amounts due from minority shareholders were fully repaid during the year.

26. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$63,958,000 (2000: HK\$51,079,000) with an aged analysis as follows:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
0 – 30 days	30,910	22,808
31 – 60 days	21,078	22,635
61 – 90 days	7,896	3,872
91 – 120 days	1,557	212
More than 120 days	2,517	1,552
	63,958	51,079
<hr/>		

27. NOTES PAYABLE TO A SHAREHOLDER

The notes payable were unsecured, bore interest at 6% per annum payable semi-annually in arrears and were fully repaid during the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

28. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December 2000 and 2001	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 2000	558,377,500	55,838
Issued upon the exercise of options	8,500,000	850
At 31st December, 2000	566,877,500	56,688
Issued upon the exercise of options	485,000	48
At 31st December, 2001	567,362,500	56,736

During the year, 485,000 (2000: 8,500,000) ordinary shares of the Company were issued at HK\$0.24 per share upon the exercise of options by option holders.

29. SHARE OPTION SCHEMES

- (i) Pursuant to the share option scheme of the Company adopted on 25th June, 1994 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption (i.e. 26th June, 2004), the board of directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at an exercise price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the scheme represent 10% of the issued share capital of the Company from time to time. No employee may be granted options under the scheme which would enable him or her if exercise in full to subscribe for exceeding 25% of the maximum aggregate number of shares in the capital of the Company. Upon acceptance of option, the grantee shall pay HK\$1 to the Company as consideration. A summary of the movements in options during the year is as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options			
			Balance at 1.1.2001	Exercised during the year	Lapsed during the year	Balance at 31.12.2001
27th November, 1998	27th May, 1999 to 26th May, 2001	HK\$0.24	2,500,000	(485,000)	(2,015,000)	-

No share option was granted during the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

29. SHARE OPTION SCHEMES (Continued)

- (ii) Pursuant to the share option scheme of Daido Group Limited ("Daido") adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption (i.e. 30th August, 2010), the board of directors of Daido may grant options to executive directors or full time employees of Daido to subscribe for shares in Daido at an exercise price not less than 80% of the average of the closing prices of Daido's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the scheme represent 10% of the issued share capital of Daido from time to time. No employee may be granted options under the scheme which would enable him or her if exercise in full to subscribe for exceeding 25% of the maximum aggregate number of shares in the capital of Daido. Upon acceptance of option, the grantee shall pay HK\$1 to Daido as consideration.

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options as at 1.1.2001 and 31.12.2001	Percentage on issued share capital of Daido
16th November, 2000	16th May, 2001 to 15th May, 2003	HK\$0.063	145,000,000	4.83%

There was no movement in share options granted under the scheme during the year.

Notes to the Financial Statements

For the year ended 31st December, 2001

30. RESERVES

	Share premium HK\$'000	Revaluation reserve HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 2000							
- as previously stated	316,885	19,367	-	(181,262)	11	120,013	275,014
- prior year adjustment (note 2)	-	-	-	-	-	11,168	11,168
- as restated	316,885	19,367	-	(181,262)	11	131,181	286,182
Exchange difference arising from the translation of overseas subsidiaries	-	-	-	-	204	-	204
Goodwill arising on acquisition of subsidiaries	-	-	-	(1,734)	-	-	(1,734)
Goodwill arising on acquisition of further interests in subsidiaries	-	-	-	(5,481)	-	-	(5,481)
Shares issued at premium	1,190	-	-	-	-	-	1,190
Expenses on issue of shares	(25)	-	-	-	-	-	(25)
Net profit for the year	-	-	-	-	-	33,710	33,710
Dividend	-	-	-	-	-	(11,338)	(11,338)
At 31st December, 2000	318,050	19,367	-	(188,477)	215	153,553	302,708
Exchange difference arising from the translation of overseas subsidiaries	-	-	-	-	52	-	52
Realised on disposal of interest in a subsidiary to minority shareholders	-	-	-	577	-	-	577
Shares issued at premium	68	-	-	-	-	-	68
Net profit for the year	-	-	-	-	-	34,264	34,264
At 31st December, 2001	318,118	19,367	-	(187,900)	267	187,817	337,669

Notes to the Financial Statements

For the year ended 31st December, 2001

30. RESERVES (Continued)

	Share premium HK\$'000	Revaluation reserve HK\$'000	Contributed surplus HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
THE COMPANY							
At 1st January, 2000							
- as previously stated	316,885	-	66,061	-	-	(129)	382,817
- prior year adjustment (note 2)	-	-	11,168	-	-	-	11,168
- as restated	316,885	-	77,229	-	-	(129)	393,985
Shares issued at premium	1,190	-	-	-	-	-	1,190
Expenses on issue of shares	(25)	-	-	-	-	-	(25)
Net profit for the year	-	-	-	-	-	53,638	53,638
Dividend	-	-	(11,338)	-	-	-	(11,338)
At 31st December, 2000	318,050	-	65,891	-	-	53,509	437,450
Shares issued at premium	68	-	-	-	-	-	68
Net loss for the year	-	-	-	-	-	(881)	(881)
At 31st December, 2001	318,118	-	65,891	-	-	52,628	436,637

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Surplus arising on revaluation of leasehold properties in 1994 was credited to the revaluation reserve, which is frozen upon the transfer of leasehold properties to properties held for sale. These properties held for sale were transferred to investment properties in prior year. On subsequent sale or retirement of these properties, the attributable revaluation surplus will be transferred to accumulated profits.

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

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

Notes to the Financial Statements

For the year ended 31st December, 2001

30. RESERVES (Continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Contributed surplus	65,891	65,891
Accumulated profits	52,628	53,509
	118,519	119,400

31. DEFERRED TAX

	The Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At beginning of the year	9,410	8,374
On acquisition of subsidiaries	-	36
Movement for the year (<i>note 13</i>)	(4,750)	1,000
At end of the year	4,660	9,410

At the balance sheet date, the major components of the deferred tax (liability) asset, provided and unprovided, are as follows:

	Provided		Unprovided	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(4,873)	(9,472)	(31,531)	(24,818)
Impairment of property, plant and equipment	-	-	13,067	14,301
Taxation losses	213	62	117,788	113,418
Net deferred tax (liability) asset	(4,660)	(9,410)	99,324	102,901

Notes to the Financial Statements

For the year ended 31st December, 2001

31. DEFERRED TAX (Continued)

	Unprovided	
	2001 HK\$'000	2000 HK\$'000
THE COMPANY		
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(71)	(68)
Taxation losses	7,680	5,651
Net deferred tax asset	7,609	5,583

The deferred tax asset primarily relating to taxation losses has not been recognised in the financial statements as it is uncertain that the resulting deferred tax asset will be realised in the future.

Deferred tax has not been provided on the revaluation increase arising on the revaluation of properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

The components of the deferred tax (credit) charge, provided or unprovided, for the year are as follows:

	Provided		Unprovided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
(Shortfall) excess of tax allowances over depreciation	(4,599)	1,062	5,440	7,305
Impairment of property, plant and equipment	-	-	1,234	1,233
Taxation losses	(151)	(62)	5,918	(13,363)
	(4,750)	1,000	12,592	(4,825)

During the year, unprovided deferred tax asset of HK\$9,015,000 (2000: HK\$Nil) were arising from acquisition of subsidiaries.

Notes to the Financial Statements

For the year ended 31st December, 2001

32. BANK BORROWINGS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	16,420	11,472	-	-
Bank loans	5,118	2,263	-	-
Convertible note (<i>Note</i>)	20,000	20,000	20,000	20,000
Mortgage loans	38,115	26,279	-	-
Trust receipt loans	207,382	209,737	-	-
	287,035	269,751	20,000	20,000
Analysed as:				
Secured	62,964	47,360	20,000	20,000
Unsecured	224,071	222,391	-	-
	287,035	269,751	20,000	20,000

The bank borrowings
are repayable as follows:

On demand or within one year	263,182	257,229	20,000	20,000
More than one year, but not exceeding two years	5,134	5,622	-	-
More than two years, but not exceeding five years	11,439	6,900	-	-
More than five years	7,280	-	-	-
	287,035	269,751	20,000	20,000
Less: amounts due within one year shown under current liabilities	(263,182)	(257,229)	(20,000)	(20,000)
Amounts due after one year	23,853	12,522	-	-

Note:

The convertible note bears interest at 7% per annum and is repayable at the earliest of:

- (i) three years from the date of advance at 110% of the principal amount; or
- (ii) upon a public offering, material placement or disposal of the shares (collectively referred to as the "IPO") of Fulwealth Metal Factory Limited ("Fulwealth"), at the higher of 107% of the principal amount or a sum providing a yield of 10.52% per annum on the principal amount from the date of advance to the date of the IPO ("IPO Redemption Amount").

The convertible noteholder was also granted an option to convert for the shares of Fulwealth upon the IPO occurs at the price at which the shares of Fulwealth are offered under the IPO up to the IPO Redemption Amount.

Notes to the Financial Statements

For the year ended 31st December, 2001

33. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP				
Within one year	8,063	3,958	7,344	3,519
In the second to fifth year inclusive	9,616	2,760	8,978	2,651
	17,679	6,718	16,322	6,170
Less: future finance charges	(1,357)	(548)	-	-
Present value of lease obligations	16,322	6,170	16,322	6,170
Less: amounts due within one year shown under current liabilities			(7,344)	(3,519)
Amounts due after one year			8,978	2,651

It is the Group's policy to lease/purchase certain of its motor vehicles and plant and machinery and equipment under finance leases or hire purchase contracts. The lease/contract terms are ranging from 2 to 4 years. For the year ended 31 December 2001, the average effective borrowing rates were ranging from 5% to 7.5% or at prime rate. All leases and contracts are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases and hire purchase contracts are secured by the lessor's/hirer's charge over the leased assets.

34. LONG-TERM PAYABLES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other payables	6,000	10,541	2,108	10,541
Less: amount due within one year shown under trade and other payable	(4,437)	(8,433)	(2,108)	(8,433)
Amount due after one year	1,563	2,108	-	2,108

The amounts are unsecured and interest-free. An amount of HK\$2,108,000 (2000: HK\$10,541,000) is repayable by instalments up to 16th February, 2002. The remaining amount of HK\$3,892,000 is repayable by instalments up to 16th April, 2003.

Notes to the Financial Statements

For the year ended 31st December, 2001

35. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit before taxation	53,457	59,454
Share of results of a jointly controlled entity	-	1,614
Interest income	(5,383)	(16,432)
Interest expenses	19,810	23,648
Amortisation of goodwill, net	123	-
Depreciation	24,062	22,962
Gain on disposal of property held for sale	-	(909)
Loss (gain) on disposal of interest in a subsidiary	34	(2)
Gain on disposal of an associate	-	(47)
Loss (gain) on disposal of property, plant and equipment	352	(1,500)
Gain on disposal of subsidiaries	-	(6,768)
Write off of amount due from an associate	-	7
Impairment loss recognised in respect of a jointly controlled entity	-	119
Decrease on revaluation of investment properties	-	16
Decrease (increase) in inventories	23,468	(63,803)
Decrease in trade and other receivables	8,023	11,238
Decrease (increase) in amounts due from customers for contract work	62	(122)
(Decrease) increase in amounts due to customers for contract work	(12,610)	298
Decrease in trade and other payables	(36,586)	(8,054)
Effect of foreign exchange rate changes	349	5
Net cash inflow from operating activities	75,161	21,724

Notes to the Financial Statements

For the year ended 31st December, 2001

36. ACQUISITION OF SUBSIDIARIES

On 16th October, 2001, the Group acquired a 100% interest in Dyna Concrete Limited for a consideration of HK\$8,633,000.

	2001 HK\$'000	2000 HK\$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	39,504	1,103
Inventories	1,246	-
Trade and other receivables	28,461	799
Bank balances and cash	12,702	-
Trade and other payables	(61,997)	(1,675)
Bank overdrafts	-	(9)
Tax payable	-	(20)
Deferred tax	-	(36)
	19,916	162
(Negative goodwill) goodwill	(11,283)	1,734
Total consideration	8,633	1,896
Satisfied by:		
Cash	4,741	1,896
Consideration payable	3,892	-
	8,633	1,896
Net cash inflow (outflow) arising on acquisition:		
Cash	(4,741)	(1,896)
Bank balances and cash acquired	12,702	-
Bank overdrafts acquired	-	(9)
Net inflow (outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	7,961	(1,905)

The subsidiaries acquired during the year contributed approximately HK\$0.2 million to the Group's net operating cash outflows and incurred approximately HK\$3.9 million for investing activities.

The subsidiaries acquired last year did not have any material effect on the cash flows of the Group.

The subsidiaries acquired during the year contributed approximately HK\$24.4 million (2000: HK\$5.7 million) to the Group's turnover and approximately HK\$4.0 million (2000: HK\$Nil) to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31st December, 2001

37. DISPOSAL OF SUBSIDIARIES

	2000 HK\$'000
NET ASSETS DISPOSED OF	
Interest in a jointly controlled entity	8,534
Trade and other receivables	2
Trade and other payables	(111)
	8,425
Gain on disposals	6,768
	15,193
Satisfied by:	
Cash	15,193

The subsidiaries disposed of last year did not have any material effect on the cashflow of the Group.

The subsidiaries disposed of last year did not have any material effect on the turnover and the operating profit of the Group.

Notes to the Financial Statements

For the year ended 31st December, 2001

38. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and premium	Mortgage loans	Trust receipt loans	Bank convertible note	Notes payable to a shareholder	Bank loans	Obligations under finance leases and hire purchase contracts	Amounts due to minority shareholders	Amount due to a shareholder	Minority interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2000	372,723	15,765	142,374	20,000	-	25,030	3,399	4,224	-	123,549
Injection from minority shareholders	-	-	-	-	-	-	-	-	-	90
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	347
Acquisition of further interests in subsidiaries	-	-	-	-	-	-	-	-	-	(32,579)
Exchange difference arising from translation of overseas subsidiaries	-	42	-	-	-	-	-	9	-	1
Expenses on issue of shares	(25)	-	-	-	-	-	-	-	-	-
Share issued at premium	2,040	-	-	-	-	-	-	-	-	-
Share of results by minority interests	-	-	-	-	-	-	-	-	-	24,982
Dividends paid to the minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(9,150)
Inception of new finance leases and hire purchase contracts	-	-	-	-	-	-	6,474	-	-	-
New borrowings	-	21,853	52,562	-	40,000	2,263	-	6,559	-	-
Repayment of borrowings	-	(11,381)	(4,591)	-	(17,150)	(25,030)	(3,703)	-	-	-
At 31st December, 2000	374,738	26,279	190,345	20,000	22,850	2,263	6,170	10,792	-	107,240
Acquisition of further interests in subsidiaries	-	-	-	-	-	-	-	-	-	(11,221)
Disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	6,425
Exchange difference arising from translation of overseas subsidiaries	-	-	-	-	-	-	-	-	-	6
Share issued at premium	116	-	-	-	-	-	-	-	-	-
Share of results by minority interests	-	-	-	-	-	-	-	-	-	21,714
Dividends paid to the minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	(8,506)
Inception of new finance leases and hire purchase contracts	-	-	-	-	-	-	16,764	-	-	-
New borrowings	-	23,401	124,075	-	-	40,118	-	-	124	-
Repayment of borrowings	-	(11,565)	(107,038)	-	(22,850)	(37,263)	(6,612)	(3,560)	-	-
At 31st December, 2001	374,854	38,115	207,382	20,000	-	5,118	16,322	7,232	124	115,658

Notes to the Financial Statements

For the year ended 31st December, 2001

39. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group entered into finance leases and hire purchase contracts in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases and contracts of approximately HK\$16,764,000 (2000: HK\$6,474,000).
- (ii) The consideration in respect of the acquisition of subsidiaries (2000: further interests in subsidiaries) of approximately HK\$3,892,000 (2000: HK\$10,541,000) had not been settled as at the balance sheet date.
- (iii) In 2000, investment properties of approximately HK\$27,800,000 were acquired from debtors as settlement of amounts owe from them.

40. PLEDGE OF ASSETS

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

	The Group	
	2001 HK\$'000	2000 HK\$'000
Investment properties	46,600	17,700
Land and buildings	86,650	49,592
Plant and machinery and equipment	5,342	3,851
Bank deposits	2,942	16,094
	141,534	87,237

In addition, the Group has also pledged the shares of one of its subsidiaries with a market value of approximately HK\$10,703,000 (2000: HK\$Nil), representing the Group's 4.69% interest in this subsidiary, to the vendor of the shares as securities against the unpaid consideration.

41. CONTINGENT LIABILITIES

At the balance sheet date the Company had provided corporate guarantees to the extent of approximately HK\$719,550,000 (2000: HK\$653,388,000) to banks to secure general banking facilities granted to its subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2001 amounted to approximately HK\$235,291,000 (2000: HK\$234,477,000).

The Group did not have any contingent liabilities at the balance sheet date.

Notes to the Financial Statements

For the year ended 31st December, 2001

42. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee:

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

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Land and buildings				
Within one year	6,274	4,352	2,212	2,090
In the second to fifth year inclusive	7,679	2,856	1,692	266
After five years	4,360	739	-	-
	18,313	7,947	3,904	2,356
Plant and machinery and equipment				
Within one year	1,532	659	-	-
In the second to fifth year inclusive	6,294	2,591	-	-
After five years	1,968	1,723	-	-
	9,794	4,973	-	-

Operating lease payments represent rentals payable by the Group and the Company 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. Leases of plant and machinery and equipment are negotiated for terms ranging from two to ten 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 in respect of rented premises which fall due as follows:

	The Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	2,414	1,868
In the second to fifth year inclusive	1,513	2,375
	3,927	4,243

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

Notes to the Financial Statements

For the year ended 31st December, 2001

43. CAPITAL COMMITMENTS

	The Group	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	3,444	11,521

At the balance sheet date, the Group has entered into an agreement to establish a joint venture in the PRC, of which, the Group will contribute US\$510,000 for a 51% interest in the joint venture.

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

44. RETIREMENT BENEFITS SCHEME

Prior to 1st December, 2000, the Group operated a defined contribution retirement benefit scheme ("Defined Contribution Scheme") for its qualifying employees in Hong Kong. The assets of the scheme were held in funds under the control of an independent trustee. Where there are employees who leave the Defined Contribution Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions would be used to reduce future contributions payable by the Group.

With effective from 1st December, 2000, the Group has joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions.

During the year, the Group made retirement benefits scheme contributions of approximately HK\$2,865,000 (2000: HK\$674,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$352,000 (2000: HK\$989,000).

Notes to the Financial Statements

For the year ended 31st December, 2001

45. RELATED PARTY TRANSACTIONS

- (i) During the year, the Group entered into the following transactions with related parties:
 - (a) Full settlement of twenty 5-year 6% notes with an aggregate outstanding balance of HK\$22,850,000 to Golik Investments Limited ("GIL"), a substantial shareholder.
 - (b) Interest paid and payable in respect of the notes in (a) above amounting to approximately HK\$157,000.
 - (c) Disposed of 8% interest in Fulwealth Metal Factory Limited to minority shareholders for a consideration of HK\$7,000,000.
- (ii) In 2000, the Group entered into the following transactions and had the following balances with related parties:
 - (a) Issued twenty 5-year 6% notes at HK\$2,000,000 each to GIL for a total subscription price of HK\$40,000,000 payable in cash upon subscription.
 - (b) Interest paid and payable in respect of the notes in (a) above amounting to approximately HK\$1,673,000.
 - (c) Purchases of goods from a former jointly controlled entity of approximately HK\$2,386,000 (note).
 - (d) Notes payable to GIL at the balance sheet date amounting to HK\$22,850,000.

Note: Purchases of goods from a former jointly controlled entity were carried out at cost plus a percentage profit mark up.

46. SIGNIFICANT POST BALANCE SHEET EVENTS

- (i) On 11th January, 2002, the Group contributed US\$510,000 for a 51% interest in a newly established joint venture which will be engaged in the manufacturing and sales of wire ropes.
- (ii) Subsequent to the balance sheet date, the Group has pledged 1,503,000,000 shares in one of its subsidiaries, representing the Group's 50.1% interest in this subsidiary, to a financial institution as security against the loan facilities granted to the Group.

Financial Summary

	Year ended 31st December,				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
RESULTS					
Turnover					
Continuing operations	749,163	929,422	1,027,647	1,121,456	1,008,158
Discontinued operations	382,246	128,380	-	-	-
	1,131,409	1,057,802	1,027,647	1,121,456	1,008,158
Operating profit					
Continuing operations	72,091	74,232	77,235	84,716	73,267
Discontinued operations	(1,147)	(7,780)	-	-	-
Finance costs	(26,909)	(31,210)	(15,769)	(23,648)	(19,810)
Share of results of an associate	(55)	(18)	-	-	-
Share of results of a jointly controlled entity	-	-	(166)	(1,614)	-
Profit before taxation	43,980	35,224	61,300	59,454	53,457
Taxation	(7,007)	(6,915)	(6,697)	(762)	2,521
Profit after taxation	36,973	28,309	54,603	58,692	55,978
Minority interests	(5,396)	(7,981)	(13,192)	(24,982)	(21,714)
Net profit for the year	31,577	20,328	41,411	33,710	34,264

ASSETS AND LIABILITIES

	At 31st December, (Restated)				2001 HK\$'000
	1997 HK\$'000	1998 HK\$'000	1999 HK\$'000	2000 HK\$'000	
Total assets	926,152	604,746	918,935	998,618	1,045,501
Total liabilities	(630,553)	(243,391)	(453,366)	(531,982)	(535,438)
Minority interests	(29,997)	(32,320)	(123,549)	(107,240)	(115,658)
Shareholders' funds	265,602	329,035	342,020	359,396	394,405

Note: The summary of assets and liabilities for the Group at 31st December, 1999 has been extracted from the Company's annual report after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 9 (Revised) in respect of dividend proposed or declared after the balance sheet date.