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CORPORATE INFORMATION

Executive Directors

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

Non-Executive Directors

Mr. Song Zuoxing
Madam Song Tao

Independent Non-Executive Directors

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

Company Secretary

Mr. Ho Wai Yu, Sammy
AAIA AHKSA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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

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

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

BUSINESS PROFILE

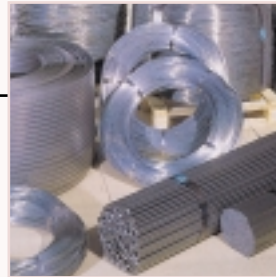
STEEL AND METAL PRODUCTS

Manufacturing of Steel and Metal Products

- Decoiling Center
- Wire Rope & Steel Wire

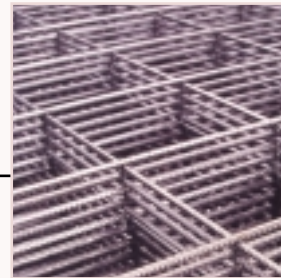


Trading of Steel and Metal Products



CONSTRUCTION MATERIALS

Manufacturing of Construction Materials



Trading of Construction Materials



CHAIRMAN'S STATEMENT



"The Group will continue to invest in upgrading the production facilities so as to increase efficiency as well as product quality and ultimately deliver brilliant results to shareholders."

I am pleased to present the annual report of Golik Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December, 2000.

The Year's Highlights

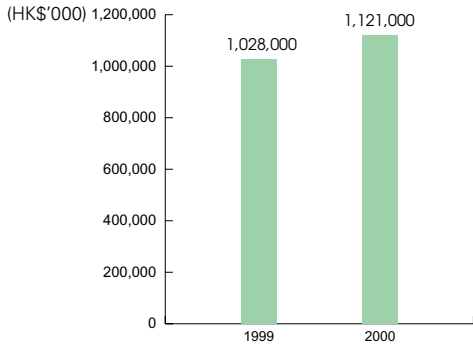
Financial Highlights:

- Turnover recorded approximately HK\$1,121 million (1999: HK\$1,028 million), representing a slight 9% increase compared with that of the preceding year.
- Profit after taxation posted HK\$59 million, a slight increase of 7% (1999: HK\$55 million).

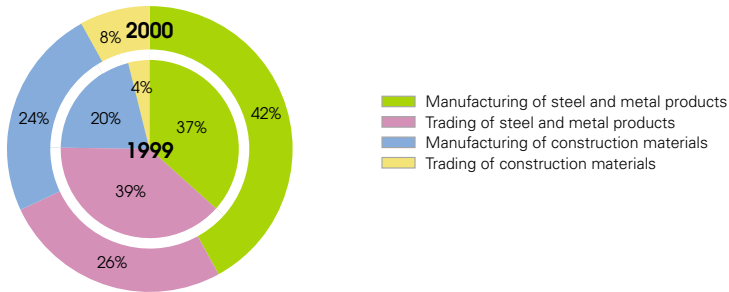
Strategic Moves & Restructuring:

- The Group's strategic acquisition of Daido Concrete (H.K.) Limited and its subsidiaries ("Daido Group") had successfully turned around and posted a profit attributable to shareholders of HK\$38 million. (1999: loss of HK\$60 million)
- Daido Group which was originally acquired by the Group in November 1999, its legal status has been redomiciled and became a wholly-owned of a newly incorporated Bermuda based company, Daido Group Limited ("Daido") is now well positioned for its development and expansion in the subsequent restructuring and international moves.
- Golik Metal Manufacturing Co. Limited was injected into Daido to better utilizing its resources and expand the product development of its welded wire fabric with precast concrete products. This move will further better position Daido as construction material arm for the Group.
- Opened new decoiling center in Tai Po Industrial Estate to capture increasing demand for valued-added steel and metal products and services in Hong Kong in October 2000.
- Established a new operation Golik Steel Company Limited to develop into trading and stocking of construction-used steel reinforcement bars.
- Acquired an UK construction materials manufacturer, Locusrite Limited, a starting point of moving into European market.

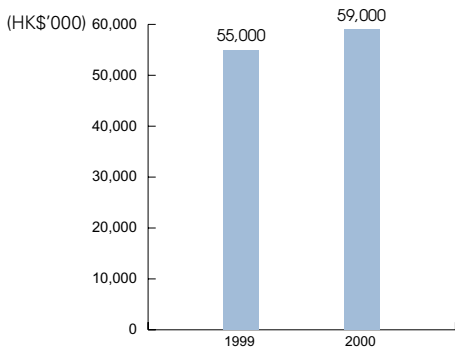
Turnover for year ended
31st December 1999 and 2000



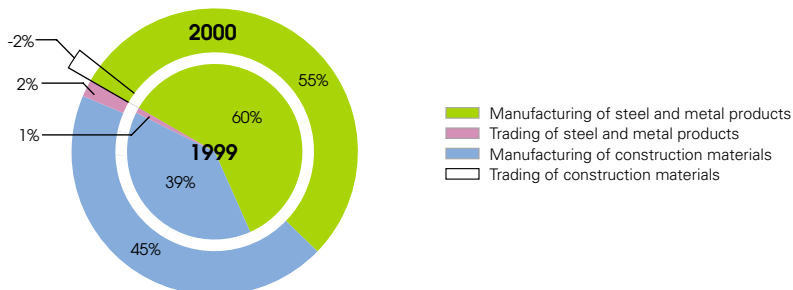
Turnover by Products in 1999 and 2000



Profit after Taxation for year ended
31st December 1999 and 2000



Profit after Taxation by Products
in 1999 and 2000



"The Group adopts twin-line strategies, i.e. cautious cost control and product diversification and will move towards environmentally friendly concept..."

CHAIRMAN'S STATEMENT

Operation Review

Hong Kong economy was gradually recovering some grounds from the Asian financial turmoil. It however does not fully reflect on every industry. It was still a difficult time for the whole steel and construction materials field in the territory, or even in the Asia Pacific region. The change of government policy of building less public housing hampered the business performance of the Group's construction material operations for the year under review. On the other hand, the Group aggressively developed its industrial-used steel products which are expected to be less affected by sluggish construction market during the year under review.

Steel and Metal Products

1. Manufacturing of Steel and Metal Products

The manufacturing process mainly concerns value-adding to the steel and metal. This business remained the core business of the Group, accounting for 42% of the Group's turnover during the year. Similar to previous years, the steel and metal products manufacturing operation delivered stable return to the Group.

- *Decoiling Center*

The decoiling center maintained steady growth both in turnover and profitability. The newly established production facilities in Tai Po Industrial Estate, Hong Kong commenced production in October 2000 and therefore the production and operation capability of the new factory has not been reflected. Over the review year, the operation attained targeted goal in spite of the depreciation incurred in the new set-up period including factory and machinery and equipment.



- *Steel Wire and Wire Rope*

The Group focused on development of value-adding products, particularly the high quality steel wire used for the production of optical fiber cables. During the year, the Group conducted review over the production process and upgraded facilities in a way to boost efficiency and product quality.

2. Trading of Steel and Metal Products

During the year under review, global steel and metal products market continued to face over-supply resulted from massive production in the former Soviet Union member countries, compounded with generally weak demand in Asia. Both factors put downward pressure on prices. Furthermore, the PRC continues to gradually expand its domestic production base while tightening its importation quota system which affected the performance for trading of steel and metal products business for the PRC market.

CHAIRMAN'S STATEMENT

Construction Materials

1. Manufacturing of Construction Materials

Responding to the adverse impact of public housings production cut, the Group has been implementing two major directions, i.e. stringent cost control measures and product diversification.

Daido attained turnaround resulted from effective cost control and business restructuring. Daido was focused on manufacturing precast concrete products with environmental friendly concept which received encouraging response from the market.

Acquisition of Locusrite Limited, the United Kingdom construction materials manufacturer, was completed in the second half year of 2000, marking the starting point of moving into European market and scoring an opportunity of exploring overseas markets amid the fierce competition in the domestic market.



2. Trading of Construction Materials

As public housing spending market shrank, turnover of construction materials trading was scaled down during the year. In order to better diversify the Group's product range, it established a new operation namely Golik Steel Company Limited in June 2000 which is principally engaging in trading and stocking of steel reinforcement bars, which aims at providing quality steel supply services to the construction market. The new operation was still under an investment period.

Liquidity and Financial Resources

The Group's financial position is health and stable. As at 31 December 2000, the Group's cash and bank deposits reached HK\$122 million. Bank borrowings rose by 18% over prior year to approximately HK\$270 million.

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 approximately HK\$22 million (1999: HK\$117 million).

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and the 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 rate risk is not material.

CHAIRMAN'S STATEMENT

Capital Structure

During the year, except for the total of 8,500,000 share options exercised by the option holders of the Company, there was no change to the share capital of the Company. The Group's operation was financed by shareholders' equity.

As at 31st December 2000, consolidated shareholders' equity reached HK\$359 million and aggregated interest-bearing borrowings was approximately HK\$299 million. The Group's debt to equity ratio was approximately 83% (1999: 70%).

Employment and Remuneration Policy

At the end of 2000, the total number of staff of the Group in Hong Kong and the PRC was 845. In addition to the set up of share options scheme, the Group also provided Mandatory Provident Fund entitlement to Hong Kong's employees.

Prospects

For the steel and metal operation, the Group expects that the operation will continue to deliver stable income to the Group capitalizing on its industry position. The Group also will continue to invest in upgrading the production facilities so as to increase efficiency as well as product quality and ultimately deliver brilliant results to shareholders.

In face of shrinkage of construction industry led by the government's housing policy, the Group adopts twin-line strategies to offset the impact, i.e. cautious cost control and product diversification. The Group will move towards environmental friendly concept as well. On the other hand, the Group will continue to extend its market presence in the private sector through continued promotion targeting private developers. The Group will consider to identify high potential operation through alliance or acquisition.

With the efforts of experienced management and devoted people, the Group implemented strategies such as increasing devotion to value-added products, diversification of services and products, balancing private and public sector client proportion, structure streamlining and cost control, to improve overall business performance. The Group is well prepared to clear any hurdles and to capture emerging business opportunities, in an effort to strive for a satisfactory results in the coming year of challenge.

Appreciation

I would like to take this opportunity to express my heartfelt thanks to the support from all of the staff for their dedication and hard work during the year. I would also like to offer my sincere gratitude to all our customers, shareholders, bankers as well as our business associates for their continued support and advice. I am expecting their continuous support and contribution will make aspiring achievement in the coming year.

Pang Tak Chung
Chairman

Hong Kong, 17th April, 2001

DIRECTORS OF THE GROUP

Mr. Pang Tak Chung, aged 52, 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 21 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 45, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is an associate 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 founder and honorable chairman of the IT Accountants Association and a full member of the Hong Kong Computer Society. Mr. Ho is also an executive director of the Daido Group and has over 21 years' experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. Robert Keith Davies, aged 44, is an executive director of the Group and the 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 16 years and joined Golik Metal in 1991.

Mr. Song Zuoxing, aged 58, is a non-executive director of the Company responsible for advising on strategic development in the PRC. He is currently the director of China Metallurgic (Hong Kong) Company Limited. He joined the Company in July 2000.

Madam Song Tao, aged 41, is a non-executive director of the Company responsible for advising on strategic development in the PRC. She graduated from the North East University specializing in mining machinery study and is a senior engineer. She has over 14 years' of experiences of trading mining machinery and steel and familiar with the PRC import procedure. She is currently a director and vice president of China Metallurgic (Hong Kong) Company Limited and was previously the vice president of China Metallurgic (Germany) Company Limited. She joined the Company in May 1998.

Mr. Li Chiu Wah, Joseph, aged 43, 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 11 years' 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 Kwok Kan, Stephen, aged 44, 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 18 years' advisory experience on taxation in Australia, Hong Kong and the PRC.

NOTICE OF 2001 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2001 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 Thursday, 31st May, 2001 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, 2000.
2. (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.
3. 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:

4. **“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 “Stock Exchange”) 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 Stock Exchange 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 Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved and authorized;
 - (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;

NOTICE OF 2001 ANNUAL GENERAL MEETING

- (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.”
5. **“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 options 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 Stock Exchange of Hong Kong Limited;
 - (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

NOTICE OF 2001 ANNUAL GENERAL MEETING

- (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."
- 6. **"THAT** conditionally upon Resolutions Numbers 4 and 5 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 5, 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 4, 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."

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

Hong Kong, 17th April, 2001

NOTICE OF 2001 ANNUAL GENERAL MEETING

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 Tuesday, 29th May, 2001 to Thursday, 31st May, 2001, 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 Monday, 28th May, 2001.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries, are set out in note 15 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2000 are set out in note 15 to the financial statements.

During the year, the Group acquired additional 4.69% interest in Daido Group Limited ("Daido"), a non-wholly owned subsidiary of the Company, for a consideration of approximately HK\$12.74 million and disposed of 100% interest in Golik Metal Manufacturing Co. Limited to Daido for a consideration of HK\$52 million.

Results

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 29 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.



DIRECTORS' REPORT

Investment Properties

During the year, the Group acquired investment properties at a cost of approximately HK\$28.9 million. The Group's investment properties were revalued at 31st December, 2000 and the net deficit arising on the revaluation of approximately HK\$16,000 has been charged to the consolidated income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$49.5 million.

In addition, the Group acquired property, plant and equipment with net book value of approximately HK\$1.1 million through the acquisition of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 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 27 and 28 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 26, 31 and 32 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

Mr. Song Zuoxing (appointed on 18th July, 2000)

Mr. Zheng Peng (resigned on 18th July, 2000)

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. Robert Keith Davies retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

In accordance with Clause 87(2) of the Company's Bye-Laws, Mr. Song Zuoxing and Madam Song Tao shall retire by rotation at the forthcoming annual general meeting but shall not offer themselves for re-election.

Independent non-executive directors are not appointed for a specific term as all of the directors, including the non-executive directors and independent non-executive directors, are subject to retirement by rotation in accordance with the above 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, 2000, the interests of the directors and their associates in the issued share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register 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 (Note)	32,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	4,002,000	—
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. Golik International Group Limited 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.

DIRECTORS' REPORT

Directors' Interests in Securities (continued)

(2) Options

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

(i) The Company

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options				
				Balance at 1.1.2000	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2000
Mr. Pang Tak Chung	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	1,167,550	—	(1,167,550)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Mr. Ho Wai Yu, Sammy	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	4,832,450	—	(4,832,450)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Mr. Robert Keith Davies	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	4,832,450	—	(4,832,450)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Madam Song Tao	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,500,000	—	—	—	2,500,000
Mr. Zheng Peng	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,500,000	—	—	(2,500,000)	—

Subsequent to the balance sheet date, 485,000 share options with an exercise price of HK\$0.24 per share were exercised.

DIRECTORS' REPORT

Directors' Interests in Securities (continued)

(2) Options (continued)

(ii) Daido

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options				
				Balance at 1.1.2000	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2000
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	50,000,000	—	—	50,000,000
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	20,000,000	—	—	20,000,000
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	20,000,000	—	—	20,000,000

Details of the Share Option Schemes are set out in note 28 to the financial statements.

(3) Shares in a subsidiary

At 31st December, 2000, 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.

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.

DIRECTORS' REPORT

Arrangements to Purchase Shares or Debentures

- (i) The Share Option Scheme adopted by the Company on 25th June, 1994 enables directors and employees of the Group to subscribe for shares in the Company, details of which are set out in note 28 to the financial statements.
- (ii) The Share Option Scheme adopted by Daido on 29th August, 2000 enables the directors and employees of Daido to subscribe for shares in Daido, details of which are set out in note 28 to the financial statements.

Save as disclosed 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

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10 per cent. or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of holding
Mr. Pang Tak Chung (Note)	227,841,500	40.19%
GIL	195,646,500	34.51%
Bank of China (Hong Kong Branch)	99,000,000	17.46%

Note: Including corporate interests in 195,646,500 shares through GIL and personal interest in 32,195,000 shares.

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital as at 31st December, 2000.

Directors' Interests In Contracts Of Significance

Save as disclosed in 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.

DIRECTORS' REPORT

Connected Transactions

On 17th April, 2000, the Company issued twenty 5 year 6% redeemable transferable convertible notes at HK\$2,000,000 each to GIL for a total subscription price of HK\$40 million payable in cash upon subscription. On 21st November, 2000, a deed of variation was entered between the Company and GIL, pursuant to which (i) all the conditions related to conversion and redemption rights have been deleted; and (ii) the Company has the right to prepay all or part of the principal moneys outstanding and all the interest accrued at any time before the maturity date by giving 14 days' prior written notice to the holders of the notes. Details of these transactions have been included in the circular dated 22nd March, 2000 and 4th December, 2000 issued to the shareholders of the Company.

The independent non-executive directors had confirmed that these transactions were fair and reasonable so far as the shareholders are concerned.

Connected Transactions with Non-Wholly Owned Subsidiaries

During the year, a wholly owned subsidiary, Golik Metal Manufacturing Co. Limited ("GMM") was disposed of to Daido at a consideration of HK\$52 million. Pursuant to the agreement (the "Agreement") entered between GMI, Daido Concrete (H.K.) Limited ("DCHK") and Tak Sun Limited, both of which are wholly owned subsidiaries of Daido, GMI warrants that the net tangible assets value of GMM at 31st March, 2000 shall be not less than HK\$32,000,000 (the "NAV Guarantee") and the aggregate profit of GMM after taxation as shown in its audited income statement for the two financial years ending 31st December, 2001 shall be not less than HK\$20,000,000. Details of this transaction has been included in the circular dated 3rd August, 2000 issued to the shareholders of the Company (the "Circular"). Prior to and subsequent to the disposal of GMM to Daido, the following transactions have been carried out between GMM, DCHK and GMI:

- (i) On 18th January, 2000, GMM entered into a license agreement with DCHK, pursuant to which DCHK agreed to grant to GMM a license to occupy certain areas in its premises for a term of three years. The total amount of license fee paid to DCHK prior to the disposal of GMM was HK\$1,800,000.
- (ii) Subsequent to the disposal of GMM, GMM has continued, in its normal course of business and on an arm's length basis, to purchase wire rods and accessories through GMI. The amount of transactions for the period from the date of disposal to 31st December 2000 amounting approximately to HK\$11 million.

The independent non-executive directors of the Company had reviewed and approved the above transactions and confirmed that such transactions had been (a) carried out on normal commercial terms; (b) in the ordinary and usual course of business of the Company; (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 2000, the aggregate value of the transactions does not exceed the waiver limit of HK\$65 million granted by The Stock Exchange of Hong Kong Limited as set out in the Circular. They had also confirmed that the NAV Guarantee has been fulfilled and in accordance with the terms of the Agreement.

- (iii) In addition, GMM has continued to provide cross guarantees to the extent of approximately HK\$45 million to banks to secure general banking facilities granted to the Group.

DIRECTORS' REPORT

Connected Transactions with Non-Wholly Owned Subsidiaries (continued)

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	1,170
Purchases of goods from Daido Group by GMI Group	6,425

Major Customers and Suppliers

For the year ended 31st December, 2000, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 26.8% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 56.7% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 26.8% of the Group's total purchases.

At no time during the year did a director, their associates or any shareholders (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 suppliers.

Significant Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 45 to the financial statements.

Pre-Emptive Rights

There are no provisions 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

During the year, 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 of Hong Kong Limited 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.

DIRECTORS' REPORT

Auditors

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

On behalf of the Board

Pang Tak Chung

Chairman

17th April, 2001

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 25 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, 2000 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

17th April, 2001

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Turnover	3	1,121,456	1,027,647
Cost of sales		(929,989)	(869,362)
Gross profit		191,467	158,285
Other revenue		16,540	17,299
Selling and distribution costs		(22,757)	(20,064)
Administrative expenses	4	(118,217)	(84,091)
Other operating expenses		(16)	(1,390)
Profit from operations	5	67,017	70,039
Expenses for proposed investment written off	45 (ii)	(5,550)	—
Finance costs	6	(23,648)	(15,769)
Interest income		16,432	7,196
Gain on disposal of an associate/subsidiaries	7	6,817	—
Share of results of a jointly controlled entity		(1,614)	(166)
Profit before taxation		59,454	61,300
Taxation	9	(762)	(6,697)
Profit after taxation		58,692	54,603
Minority interests		(24,982)	(13,192)
Net profit for the year	10	33,710	41,411
Dividend	11	(170)	(11,168)
Profit for the year, retained		33,540	30,243
Earnings per share	12		
Basic		5.96 cents	7.42 cents
Diluted		5.85 cents	7.38 cents

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Non-current Assets			
Investment properties	13	46,600	14,500
Property, plant and equipment	14	289,377	265,557
Interest in an associate	16	—	7
Interest in a jointly controlled entity	17	—	31,469
Investment in a security	18	5,000	—
Long-term receivables	19	3,342	22,721
Rental deposits and other assets		5,908	1,323
		350,227	335,577
Current Assets			
Properties held for sale	20	—	6,600
Inventories	21	165,440	101,567
Trade and other receivables	22	359,245	371,174
Amounts due from customers for contract work	23	134	12
Amounts due from minority shareholders	24	233	—
Tax recoverable		1,510	598
Pledged bank deposit	39	16,094	—
Bank balances and cash		105,735	103,407
		648,391	583,358
Current Liabilities			
Amounts due to customers for contract work	23	48,295	47,997
Trade and other payables	25	162,241	154,744
Amounts due to minority shareholders	24	10,792	4,224
Notes payable to a shareholder	26	22,850	—
Tax payable		365	5,728
Bank borrowings	31	257,229	225,655
Obligations under finance leases and hire purchase contracts	32	3,519	1,623
Proposed dividend		—	11,168
		505,291	451,139
Net Current Assets		143,100	132,219
		493,327	467,796

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2000

	<i>NOTES</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Capital and Reserves			
Share capital	27	56,688	55,838
Reserves	29	302,708	275,014
		359,396	330,852
Minority interests			
		107,240	123,549
Non-current Liabilities			
Deferred tax	30	9,410	8,374
Bank borrowings	31	12,522	3,245
Obligations under finance leases and hire purchase contracts	32	2,651	1,776
Long-term payable	33	2,108	—
		26,691	13,395
		493,327	467,796

The financial statements on pages 25 to 73 were approved by the Board of Directors on 17th April, 2001 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

ROBERT KEITH DAVIES
DIRECTOR

BALANCE SHEET

AT 31ST DECEMBER, 2000

	NOTES	2000 HK\$'000	1999 HK\$'000
Non-current Assets			
Property, plant and equipment	14	803	1,000
Interests in subsidiaries	15	251,283	251,283
Investment in a security	18	5,000	—
Long-term receivables	19	—	20,000
Rental deposits and other assets		709	471
		257,795	272,754
Current Assets			
Other receivables		57,780	75,697
Amounts due from subsidiaries		239,536	158,453
Bank balances and cash		428	337
		297,744	234,487
Current Liabilities			
Other payables		11,505	2,297
Amounts due to subsidiaries		4,938	10,004
Notes payable to a shareholder	26	22,850	—
Bank borrowings	31	20,000	45,030
Obligations under finance leases and hire purchase contracts	32	—	87
Proposed dividend		—	11,168
		59,293	68,586
Net Current Assets		238,451	165,901
		496,246	438,655
Capital and Reserves			
Share capital	27	56,688	55,838
Reserves	29	437,450	382,817
		494,138	438,655
Non-current Liability			
Long-term payable	33	2,108	—
		496,246	438,655

PANG TAK CHUNG
CHAIRMAN

ROBERT KEITH DAVIES
DIRECTOR

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	2000	1999
	HK\$'000	HK\$'000
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	204	18
Net profit for the year	33,710	41,411
Total recognised gains	33,914	41,429
Elimination against reserves of goodwill arising on acquisition of subsidiaries	(7,215)	(28,444)
	26,699	12,985

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	<i>NOTES</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	34	21,724	117,329
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(21,969)	(15,662)
Dividend paid		(11,329)	—
Dividends paid to the minority shareholders of subsidiaries		(9,150)	(3,260)
Interest received		20,009	1,964
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(22,439)	(16,958)
TAXATION			
Hong Kong Profits Tax paid		(6,184)	(4,484)
Overseas taxation paid		(331)	(10)
Hong Kong Profits Tax refunded		458	1,001
NET CASH OUTFLOW FROM TAXATION		(6,057)	(3,493)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(37,966)	(7,907)
Increase in pledged bank deposits		(16,094)	—
Acquisition of further interests in subsidiaries from minority shareholders		(6,502)	(582)
Acquisition of investment in a security		(5,000)	—
Acquisition of subsidiaries, net of cash and cash equivalents acquired	35	(1,905)	(45,970)
Advances of loan		(15,000)	—
Purchase of investment properties		(1,123)	—
Advances to minority shareholders		(233)	—
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	36	15,193	686
Proceeds from disposal of properties held for sale		6,255	—
Proceeds from disposal of property, plant and equipment		2,282	6,820
Proceeds from disposal of interest in a subsidiary to a minority shareholder		349	—
Amount advanced from a jointly controlled entity		187	37
Proceeds from disposal of an associate		47	—
Repayment of deferred consideration on disposal of subsidiaries		—	5,000
Repayment of building mortgage loans		—	53
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(59,510)	(41,863)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	NOTE	2000 HK\$'000	1999 HK\$'000
NET CASH (OUTFLOW) INFLOW BEFORE FINANCING		(66,282)	55,015
FINANCING	37		
Net borrowing (repayment) of trust receipt loans		47,971	(11,135)
Notes issued to a shareholder		40,000	—
Mortgage loans raised		21,853	1,600
Advance from (repayment of) minority shareholders		6,559	(325)
Bank loans raised		2,263	25,030
Proceeds from issue of shares		2,040	—
Injection from minority shareholders		90	—
Repayment of bank loans		(25,030)	—
Repayment of notes payable to a shareholder		(17,150)	—
Repayment of obligations under finance leases and hire purchase contracts		(3,703)	(1,847)
Repayment of mortgage loans		(11,381)	(2,354)
Expenses on issue of shares		(25)	—
Convertible note issued		—	20,000
Repayment of amount due to a shareholder		—	(1,798)
NET CASH INFLOW FROM FINANCING		63,487	29,171
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(2,795)	84,186
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		77,676	(6,523)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(10)	13
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		74,871	77,676
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		105,735	103,407
Bank overdrafts		(11,472)	(23,721)
Trust receipt loans		(19,392)	(2,010)
		74,871	77,676

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

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 trading of steel and metal products and construction materials and manufacturing, trading and installation of Autoclaved Aerated Lightweight Concrete blocks and panels ("ALC Products").

2. *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.

Goodwill

Goodwill arising on consolidation which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary, is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration, is credited to reserves.

Any premium or discount arising on acquisition of an investment in an associate or a jointly controlled entity, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate or the jointly controlled entity at the date of acquisition, is dealt with in the same manner as that described above for subsidiary.

On disposal of investments in subsidiaries, associates or jointly controlled entities, the attributable amount of goodwill or negative goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiaries, associates or jointly controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. Significant Accounting Policies (continued)

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiaries that is other than temporary. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interest in jointly controlled entities is included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of post-acquisition results of the jointly controlled entities is included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. Significant Accounting Policies (continued)

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 can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

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.

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

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

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

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 surplus or deficit 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 deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. Significant Accounting Policies (continued)

Investment properties (continued)

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 or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation or amortisation is provided to write off the cost of property, plant and equipment other than assets under installation 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	5% - 50%

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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

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

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 impairment loss that is other than temporary.

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

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Inventories

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

The cost of inventories of ALC Products comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method.

The cost of H-piles, metal products, welded wire mesh and other construction materials, which comprises cost of purchases and, where applicable, direct labour costs, sub-contractors' costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

Net realisable value represents the expected selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. Significant Accounting Policies (continued)

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 respective dates 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 values 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.

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, associates and jointly controlled entities 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

2. *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 an amount 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 an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed, but not yet paid by the customer, are included in the balance sheet within trade and other receivables.

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/mandatory provident fund scheme

The pension costs charged in the income statement represent the amount of contributions payable in respect of current year to the Group's defined contribution scheme/mandatory provident fund scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

3. Turnover And Segmental Information

Turnover represents the net amounts received and receivable for goods sold to outsider customers and revenue generated from construction contracts. The following is an analysis of the Group's turnover and operating profit by principal activity and geographical market:

	Turnover		Operating profit (loss)	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacturing of steel and metal products	468,301	378,543	50,492	44,297
Trading of steel and metal products	288,193	399,684	1,966	6,520
Construction contracts and sale of ALC Products	169,932	48,938	27,746	13,397
Manufacturing of construction materials	101,472	159,486	4,924	14,443
Trading of construction materials	93,558	40,996	(1,468)	901
	1,121,456	1,027,647	83,660	79,558
Corporate overhead and miscellaneous			(16,643)	(9,519)
			67,017	70,039
By geographical market:				
Hong Kong	760,419	615,458	61,972	62,634
Other regions in the PRC	308,746	253,814	4,488	2,958
Singapore	34,132	132,035	266	1,273
Australia	12,538	19,683	294	(397)
United Kingdom	4,038	—	(3)	—
Macau	142	—	1	—
Others	1,441	6,657	(1)	3,571
	1,121,456	1,027,647	67,017	70,039

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

4. Administrative Expenses

Included in administrative expenses is a provision for bad and doubtful debts of approximately HK\$10,577,000 (1999: HK\$6,928,000).

5. Profit From Operations

	2000	1999
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	2,552	1,309
Underprovision in prior years	195	595
Depreciation and amortisation		
Owned assets	21,089	13,252
Assets held under finance leases and hire purchase contracts	1,873	1,101
(Gain) loss on disposal of property, plant and equipment	(1,500)	1,310
Gain on disposal of properties held for sale	(909)	—
Operating leases rentals for:		
Land and buildings	3,218	4,614
Plant and machinery	76	486
Provision for impairment in value of a jointly controlled entity	119	—
Rental income	(2,159)	(1,142)
Staff costs including directors' emoluments and retirement benefits scheme contributions	106,591	63,793

Operating lease rentals in respect of a director's accommodation amounting to approximately HK\$1,272,000 (1999: HK\$Nil) are included under staff costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

6. *Finance Costs*

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	21,182	15,082
Finance leases and hire purchase contracts	433	323
Notes payable to a shareholder	1,673	—
Other borrowings wholly repayable within five years	360	364
	<hr/> 23,648	<hr/> 15,769

7. *Gain On Disposal Of An Associate/Subsidiaries*

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of an associate	47	—
Gain on disposal of an interest in a subsidiary	2	—
Gain on disposal of subsidiaries	6,768	—
	<hr/> 6,817	<hr/> —

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

8. Directors' And Employees' Emoluments

(a) Directors' emoluments

	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive	—	—
Non-executive	215	252
	215	252
Other emoluments:		
Executive		
Salaries and other benefits	10,635	6,707
Contributions to retirement benefits scheme	314	267
	10,949	6,974
	11,164	7,226

The amount disclosed above include directors' fees of HK\$125,000 (1999: HK\$122,000) payable to independent non-executive directors.

The directors' emoluments were within the following bands:

	2000 Number of directors	1999 Number of directors
Nil to HK\$1,000,000	5	5
HK\$1,500,001 - HK\$2,000,000	—	3
HK\$2,000,001 - HK\$2,500,000	1	—
HK\$2,500,001 - HK\$3,000,000	1	—
HK\$6,000,001 - HK\$6,500,000	1	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

8. *Directors' And Employees' Emoluments (continued)***(b) Employees' emoluments**

The five highest paid individuals included three directors (1999: three directors), details of whose emoluments are set out above. The emoluments of the remaining two individuals, excluding commissions on sales generated by the employees, are as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and other benefits	4,612	3,451
Contributions to retirement benefits scheme	8	45
	4,620	3,496

Their emoluments were within the following bands:

	2000 No. of employees	1999 No. of employees
HK\$1,500,001 - HK\$2,000,000	—	2
HK\$2,000,001 - HK\$2,500,000	2	—

9. *Taxation*

	2000 HK\$'000	1999 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	2,930	6,042
Overprovision in prior years	(3,528)	(1,572)
Overseas taxation		
Current year	360	263
Deferred tax (Note 30)	1,000	1,964
	762	6,697

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.

Details of unprovided deferred tax are set out in note 30.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

10. Net Profit For The Year

Of the Group's net profit for the year of HK\$33,710,000 (1999: HK\$41,411,000), a profit of HK\$53,638,000 (1999: HK\$21,500,000) has been dealt with in the financial statements of the Company.

11. Dividend

	2000 HK\$'000	1999 HK\$'000
Dividend of HK\$Nil (1999: HK\$0.02) per share	—	11,168
Additional prior year's dividend paid on exercise of share options subsequent to the issue of the annual report	170	—
	170	11,168

12. Earnings Per Share

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic earnings per share	33,710	41,411
Effect of interest on convertible notes	328	—
Adjustment to the share of result of subsidiaries based on the effect of dilutive share options	(12)	—
Earnings for the purposes of diluted earnings per share	34,026	41,411
Weighted average number of ordinary shares for the purposes of basic earnings per share	565,367,937	558,377,500
Effect of dilutive convertible notes	15,179,112	—
Effect of dilutive share options	1,230,408	3,008,966
Weighted average number of ordinary shares for the purposes of diluted earnings per share	581,777,457	561,386,466

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

13. *Investment Properties*

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
At beginning of the year	14,500	—
Additions	28,923	—
Reclassification from leasehold land and buildings	3,193	14,500
Deficit on revaluation	(16)	—
At end of the year	46,600	14,500

The Group's investment properties comprise:

	2000	1999
	HK\$'000	HK\$'000
Properties held under medium-term leases:		
— in Hong Kong	43,400	14,500
— other regions in the PRC	3,200	—
	46,600	14,500

Investment properties situated in Hong Kong and the PRC were revalued at 31st December, 2000 by Vigers Hong Kong Limited, International Property Consultants, and Sallmanns (Far East) Limited, Chartered Surveyors, respectively, both of which are independent firms of professional valuers, on an open market existing use basis. The net deficit arising on revaluation of HK\$16,000 (1999: HK\$Nil) has been charged to the consolidated income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

14. 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 HK\$'000	Assets under installation HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st January, 2000	312,535	16,152	13,591	14,540	239,484	3,746	600,048
Exchange differences	124	—	1	7	79	—	211
On acquisition of subsidiaries	—	—	—	—	1,414	—	1,414
Additions	20,628	1,436	2,867	2,416	17,113	5,031	49,491
Disposals	—	—	(640)	(2,343)	(1,359)	—	(4,342)
Reclassification to investment properties	(3,598)	—	—	—	—	—	(3,598)
Reclassifications	—	1,150	—	—	2,596	(3,746)	—
At 31st December, 2000	329,689	18,738	15,819	14,620	259,327	5,031	643,224
DEPRECIATION AND AMORTISATION							
At 1st January, 2000	173,656	11,903	9,170	9,404	130,358	—	334,491
Exchange differences	18	—	—	3	27	—	48
On acquisition of subsidiaries	—	—	—	—	311	—	311
Provided for the year	4,916	773	1,805	2,360	13,108	—	22,962
Eliminated on disposals	—	—	(332)	(1,938)	(1,290)	—	(3,560)
Reclassification to investment properties	(405)	—	—	—	—	—	(405)
At 31st December, 2000	178,185	12,676	10,643	9,829	142,514	—	353,847
NET BOOK VALUES							
At 31st December, 2000	151,504	6,062	5,176	4,791	116,813	5,031	289,377
At 31st December, 1999	138,879	4,249	4,421	5,136	109,126	3,746	265,557

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

14. Property, Plant And Equipment (continued)

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY				
COST				
At 1st January, 2000	617	333	305	1,255
Additions	—	67	—	67
At 31st December, 2000	617	400	305	1,322
DEPRECIATION				
At 1st January, 2000	123	71	61	255
Provided for the year	123	80	61	264
At 31st December, 2000	246	151	122	519
NET BOOK VALUES				
At 31st December, 2000	371	249	183	803
At 31st December, 1999	494	262	244	1,000

The net book value of leasehold land and buildings shown above comprises:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Situated in Hong Kong held under medium-term leases	96,565	79,182
Situated in other regions in the PRC held under medium-term leases	54,939	59,697
	151,504	138,879

The net book value of motor vehicles and plant and machinery of the Group includes an amount of approximately HK\$0.6 million (1999: HK\$1.4 million) and HK\$9.1 million (1999: HK\$10.6 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, 2000

15. Interests In Subsidiaries

	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	251,283	251,283

Particulars of the principal subsidiaries at 31st December, 2000 are as follows:

Name	Place of incorporation or registration or operation	Issued and fully paid share capital or 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	54.79%	Trading of H-piles and building materials
Daido Building Materials Limited	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares**	54.79%	Manufacturing of ALC Products
Daido Concrete (H.K.) Limited	Hong Kong	HK\$750,000,000 Ordinary shares	54.79%	Investment holding
Daido Construction Materials Limited	Hong Kong	HK\$200 Ordinary shares	54.79%	Investment holding
Daido Group Limited	Bermuda	HK\$30,000,000 Ordinary shares	54.79%	Investment holding
Daido Home Finance Limited	Hong Kong	HK\$100,000 Ordinary shares	54.79%	Money lending
Daido Home International Limited	Cayman Islands	HK\$225,375,000 Ordinary shares HK\$91,500,000 Preference shares***	54.79%	Investment holding, sale and installation of ALC Products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

15. Interests In Subsidiaries (continued)

Name	Place of incorporation or registration or operation	Issued and fully paid share capital or 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	54.79%	Manufacturing and trading of semi-precast concrete slab
Ding Cheong Limited	Hong Kong	HK\$500,000 Ordinary shares	55%	Trading of construction materials
Faithworld International Trading Limited	Hong Kong	HK\$100 Ordinary shares	55%	Trading of general products
Fulwealth Metal Factory Limited *	Hong Kong	HK\$20,000,000 Ordinary shares	85%	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 trading of metal products
Golik Metal Manufacturing Co. Limited	Hong Kong	HK\$30,000,000 Ordinary shares	54.79%	Manufacturing and trading 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%	Trading and stocking of steel bars

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

15. Interests In Subsidiaries (continued)

Name	Place of incorporation or registration or operation	Issued and fully paid share capital or 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 sale of steel wire products and steel ropes
Jade Ocean Limited	Hong Kong	HK\$2 Ordinary shares	100%	Property holding
Locusrite Limited #	United Kingdom	£2 Ordinary shares	70%	Manufacturing and trading of metal products
Luenik Construction Material Company Limited	Hong Kong	HK\$200,000 Ordinary shares	80%	Trading of construction materials
Stahl Trading Pty Limited #	Australia	AUS\$100 Ordinary share	100%	Trading of steel and metal products
Tak Sun Limited	British Virgin Islands	US\$1 Ordinary shares	54.79%	Investment holding
The Spacers & Bar Chairs Manufacturer Company Limited	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and trading of construction materials
Worldlight Group Limited *	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Ytong Hong Kong Limited	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares**	54.79%	Sale and installation of ALC Products

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

15. *Interests In Subsidiaries (continued)*

Name	Place of incorporation or registration or operation	Issued and fully paid share capital or registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
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 sale 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 trading 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 rights to dividends 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.

None of the subsidiaries had any loan capital 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, 2000

16. Interest In An Associate

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	—	—
Amount due from an associate	—	7
	—	7

The balance with the associate was unsecured, interest-free and written off after the interest in the associate was disposed of during the year.

17. Interest In A Jointly Controlled Entity

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of the post-acquisition reserves	—	(166)
Net amounts due from a jointly controlled entity	—	31,635
	—	31,469

The balances with the jointly controlled entity are unsecured, interest-free and fully settled after the interest in the jointly controlled entity was disposed of during the year.

Particulars of the jointly controlled entity are as follows:

Company	Business structure	Place of incorporation and operations	Class of shares	Percentage of ownership attributable to the Group	Principal activities
Zhongshan Huari Steel Pipe Co., Ltd.	Incorporated	The People's Republic of China	Registered capital	17%	Manufacturing of steel and water pipes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

17. Interest In A Jointly Controlled Entity (continued)

The following details have been extracted from the unaudited financial statements of the jointly controlled entity:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Results for the year:		
Turnover	8,040	25,361
Loss from ordinary activities before taxation	(4,085)	(4,767)
Post-acquisition loss from ordinary activities before taxation attributable to the Group	(1,614)	(166)
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial position:		
Non-current assets	—	68,671
Current assets	—	11,299
Current liabilities	—	(4,762)
Non-current liabilities	—	(116,065)
Net liabilities	—	(40,857)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

18. Investment In A Security

	THE GROUP AND THE COMPANY	
	2000 HK\$'000	1999 HK\$'000
Investment security:		
Equity security, unlisted at cost	5,000	—

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

19. Long-Term Receivables

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade receivables (Note a)	1,293	1,677	—	—
Retention receivables (Note b)	12,973	13,025	—	—
Building mortgage loans (Note c)	894	1,418	—	—
Other loan - unsecured (Note d)	20,000	40,000	20,000	40,000
Other loan - secured (Note e)	15,000	—	—	—
	50,160	56,120	20,000	40,000
Less: Amounts due within one year shown under trade and other receivables	(46,818)	(33,399)	(20,000)	(20,000)
	3,342	22,721	—	20,000

- (a) The amounts are aged over 120 days and are repayable by yearly instalments up to 2005.
- (b) The retention receivables have not yet been due at the balance sheet date according to the provisions in the construction contracts and hence no aged analysis is presented.
- (c) 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 2011.
- (d) The loan is unsecured, bears interest at commercial rate and is repayable by instalments up to 2001.
- (e) The loan is secured, bears interest at 8% per annum and is repayable in October 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

20. Properties Held For Sale

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
At beginning of the year	6,600	—
On acquisition of subsidiaries	—	6,600
Disposals	(6,600)	—
At end of the year	—	6,600

21. Inventories

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	89,397	70,408
Work in progress	5,333	4,448
Finished goods	70,354	26,495
Supplies	356	216
	165,440	101,567

Included above are raw materials of HK\$625,000 (1999: HK\$875,000), work in progress of HK\$258,000 (1999: HK\$221,000) and finished goods of HK\$5,247,000 (1999: HK\$15,000) which are carried at net realisable value.

22. Trade And Other Receivables

The Group allows an credit period ranging from C.O.D. to 120 days to its customers.

Included in trade and other receivables are trade receivables of HK\$247,736,000 (1999: HK\$257,113,000) with an aged analysis as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
0 - 30 days	129,482	103,305
31 - 60 days	55,405	82,224
61 - 90 days	32,621	38,923
91 - 120 days	17,020	12,093
More than 120 days	13,208	20,568
	247,736	257,113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

23. Amounts Due From (To) Customers For Contract Work

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits		
less foreseeable losses	346,649	274,864
Progress payments received and receivable	(394,810)	(322,849)
	(48,161)	(47,985)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	134	12
Amounts due to customers for contract work	(48,295)	(47,997)
	(48,161)	(47,985)

At 31st December, 2000, advances received from customers for contract work amounted to HK\$Nil (1999: HK\$240,000).

24. Amounts Due From (To) Minority Shareholders

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

25. Trade And Other Payables

Included in trade and other payables are trade payables of approximately HK\$51,079,000 (1999: HK\$58,374,000) with an aged analysis as follows:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
0 - 30 days	22,808	30,563
31 - 60 days	22,635	21,669
61 - 90 days	3,872	3,798
91 - 120 days	212	948
More than 120 days	1,552	1,396
	51,079	58,374

26. Notes Payable To A Shareholder

The notes payable are unsecured, bear interest at 6% per annum payable semi-annually in arrears and are repayable within 5 years from the date of issue of the notes. In the opinion of the directors, the notes will be repayable within one year after the balance sheet date. Accordingly, the amounts are shown under current liabilities.

27. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 1999 and 2000	1,800,000,000	180,000
Issued and fully paid:		
At 1st January, 1998 and 1999	558,377,500	55,838
Issued upon the exercise of options	8,500,000	850
At 31st December, 2000	566,877,500	56,688

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

There was no movements in the share capital of the Company during the year ended 31st December, 1999.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

28. Share Option Schemes

- (i) Pursuant to the share option scheme of the Company, adopted on 25th June, 1994, the Board of Directors of the Company may grant options to any directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80 per cent. 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 may not exceed 10 per cent. of the issued share capital of the Company from time to time. 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 31.12.2000
			Balance at 1.1.2000	Exercised during the year	Lapsed during the year	
26th November, 1997	26th May, 1998 to 25th May, 2000	HK\$1.02	10,832,450	—	(10,832,450)	—
27th November, 1998	27th May, 1999 to 26th May, 2001	HK\$0.24	11,000,000	(8,500,000)	—	2,500,000

No share option was granted during the year.

- (ii) Pursuant to the share option scheme of Daido Group Limited ("Daido") adopted on 29th August, 2000 which became effective on 10th November, 2000, the directors of Daido may grant options to any directors or employees of Daido to subscribe for shares in Daido at a price not less than 80 per cent. of the average of the closing prices of Daido's shares on the five trading days immediately preceding the offer date 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 may not exceed 10 per cent. of the issued share capital of Daido from time to time excluding any shares issued upon the exercise of options granted pursuant to the scheme. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25 per cent. of the aggregate number of shares under the scheme. A summary of movements in option during the year is as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options		
			Balance at 1.1.2000	Granted during the year	Balance at 31.12.2000
16th November, 2000	16th May, 2001 to 15th May, 2003	HK\$0.063	—	145,000,000	145,000,000

Total consideration of HK\$6 was received by Daido for options granted during the year. No share option was exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

29. Reserves

	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits (deficit) <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
At 1st January, 1999	316,885	19,367	—	(152,818)	(7)	89,770	273,197
Exchange difference arising from the translation of overseas subsidiaries	—	—	—	—	18	—	18
Goodwill arising on acquisition of subsidiaries	—	—	—	(28,353)	—	—	(28,353)
Goodwill arising on acquisition of further interests in subsidiaries	—	—	—	(91)	—	—	(91)
Profit for the year	—	—	—	—	—	41,411	41,411
Dividend	—	—	—	—	—	(11,168)	(11,168)
At 31st December, 1999	316,885	19,367	—	(181,262)	11	120,013	275,014
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)
Profit for the year	—	—	—	—	—	33,710	33,710
Dividend	—	—	—	—	—	(170)	(170)
At 31st December, 2000	318,050	19,367	—	(188,477)	215	153,553	302,708
THE COMPANY							
At 1st January, 1999	316,885	—	77,229	—	—	(21,629)	372,485
Profit for the year	—	—	—	—	—	21,500	21,500
Dividend	—	—	(11,168)	—	—	—	(11,168)
At 31st December, 1999	316,885	—	66,061	—	—	(129)	382,817
Shares issued at premium	1,190	—	—	—	—	—	1,190
Expenses on issue of shares	(25)	—	—	—	—	—	(25)
Profit for the year	—	—	—	—	—	53,638	53,638
Dividend	—	—	(170)	—	—	—	(170)
At 31st December, 2000	318,050	—	65,891	—	—	53,509	437,450

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

29. Reserves (continued)

The retained profits of the Group in 1999 included a loss of HK\$166,000 retained by a jointly controlled entity.

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 retained 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 accounts.

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

	2000 HK\$'000	1999 HK\$'000
Contributed surplus	65,891	66,061
Retained profit (deficit)	53,509	(129)
	119,400	65,932

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

30. Deferred Tax

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
At beginning of the year	8,374	6,317
On acquisition of subsidiaries	36	93
Movement for the year (Note 9)	1,000	1,964
At end of the year	9,410	8,374

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

	Provided		Unprovided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	9,472	8,374	24,818	17,513
Impairment of property, plant and equipment	—	—	(14,301)	(15,534)
Taxation losses	(62)	—	(113,418)	(100,055)
	9,410	8,374	(102,901)	(98,076)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

30. Deferred Tax (continued)

	Unprovided	
	2000	1999
	HK\$'000	HK\$'000
THE COMPANY		
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	68	3
Taxation losses	(5,651)	(2,401)
	(5,583)	(2,398)

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 valuation surplus arising on the valuation of properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

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

	Provided		Unprovided	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess (shortfall) of tax allowances over depreciation	1,062	1,964	7,305	(592)
Timing difference arising from impairment of property, plant and equipment	—	—	1,233	—
Taxation losses	(62)	—	(13,363)	(1,507)
	1,000	1,964	(4,825)	(2,099)

During the year, unprovided deferred tax asset of HK\$Nil (1999: HK\$93,315,000) were arising from acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

31. Bank Borrowings

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Convertible note (Note)	20,000	20,000	20,000	20,000
Trust receipt loans	209,737	144,384	—	—
Bank overdrafts	11,472	23,721	—	—
Mortgage loans	26,279	15,765	—	—
Bank loans	2,263	25,030	—	25,030
	269,751	228,900	20,000	45,030
Analysed as:				
Secured	47,360	89,306	20,000	45,030
Unsecured	222,391	139,594	—	—
	269,751	228,900	20,000	45,030
The bank borrowings are repayable as follows:				
On demand or within one year	257,229	225,655	20,000	45,030
More than one year, but not exceeding two years	5,622	1,940	—	—
More than two years, but not exceeding five years	6,900	1,305	—	—
	269,751	228,900	20,000	45,030
Less: Amounts due within one year shown under current liabilities	(257,229)	(225,655)	(20,000)	(45,030)
Amount due after one year	12,522	3,245	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

31. Bank Borrowings (continued)

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 date of the IPO ("IPO Redemption Amount").

In consideration for the convertible note, the bank 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.

32. Obligations Under Finance Leases And Hire Purchase Contracts

	THE GROUP		THE COMPANY	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The maturity of obligations under finance leases and hire purchase contracts is as follows:				
Within one year	3,519	1,623	—	87
More than one year, but not exceeding two years	2,651	1,691	—	—
More than two years, but not exceeding five years	—	85	—	—
	6,170	3,399	—	87
Less: Amount due within one year shown under current liabilities	(3,519)	(1,623)	—	(87)
Amount due after one year	2,651	1,776	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

33. Long-Term Payable

	THE GROUP AND THE COMPANY	
	2000 HK\$'000	1999 HK\$'000
Other payable	10,541	—
Less: Amount due within one year shown under trade and other payable	(8,433)	—
Amount due after one year	2,108	—

The amount is unsecured, interest-free and repayable by 5 quarterly instalments up to 16th February, 2002.

34. Reconciliation Of Profit Before Taxation To Net Cash Inflow From Operating Activities

	2000 HK\$'000	1999 HK\$'000
Profit before taxation	59,454	61,300
Share of results of a jointly controlled entity	1,614	166
Interest expenses	23,648	15,769
Interest income	(16,432)	(7,196)
Depreciation and amortisation	22,962	14,353
Gain on disposal of property held for sale	(909)	—
Gain on disposal of an interest in a subsidiary	(2)	—
Gain on disposal of an associate	(47)	—
(Gain) loss on disposal of property, plant and equipment	(1,500)	1,310
Gain on disposal of subsidiaries	(6,768)	(54)
Write off of amount due from an associate	7	—
Provision for impairment in value of a jointly controlled entity	119	—
Deficit on revaluation of investment properties	16	—
(Increase) decrease in rental deposits and other assets	(4,585)	166
Increase in inventories	(63,803)	(12,159)
Decrease in trade and other receivables	15,823	8,983
Increase in amounts due from customers for contract work	(122)	(12)
Increase in amounts due to customers for contract work	298	528
(Decrease) increase in trade and other payables	(8,054)	34,180
Effect of foreign exchange rate changes	5	(5)
Net cash inflow from operating activities	21,724	117,329

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

35. Acquisition Of Subsidiaries

	2000	1999
	HK\$'000	HK\$'000
NET ASSETS ACQUIRED:		
Property, plant and equipment	1,103	118,221
Interest in an associate	—	7
Interest in a jointly controlled entity	—	31,672
Building mortgage loans	—	1,097
Rental deposits and other assets	—	1,489
Properties held for sale	—	6,600
Inventories	—	13,679
Trade and other receivables	799	78,795
Tax recoverable	—	189
Bank balances and cash	—	60,611
Amounts due to customers for contract work	—	(47,469)
Trade and other payables	(1,675)	(80,597)
Amount due to a minority shareholder	—	(939)
Bank borrowings	(9)	(21,417)
Obligations under finance leases	—	(156)
Tax payable	(20)	(3,385)
Minority interests	—	(90,538)
Deferred tax	(36)	(93)
	162	67,766
Goodwill	1,734	28,353
Total consideration	1,896	96,119
Satisfied by:		
Cash consideration	1,896	95,137
Consideration payable	—	982
	1,896	96,119
Net cash outflow arising on acquisition:		
Cash consideration	(1,896)	(95,137)
Bank balances and cash acquired	—	60,611
Bank overdrafts acquired	(9)	(11,444)
	(1,905)	(45,970)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

35. Acquisition Of Subsidiaries (continued)

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

The subsidiaries acquired in 1999 contributed approximately HK\$12.3 million to the Group's net operating cash inflows, paid approximately HK\$0.2 million in respect of net returns on investments and servicing of finance, paid approximately HK\$0.3 million in respect of taxation, paid approximately HK\$0.4 million in respect of investing activities and raised approximately HK\$0.8 million in respect of financing activities.

The subsidiaries acquired during the year contributed approximately HK\$5.7 million (1999: HK\$82.0 million) to the Group's turnover and contributed an operating profit of HK\$Nil (1999: 15.9 million).

36. Disposal Of Subsidiaries

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET ASSETS DISPOSED OF:		
Property, plant and equipment	—	231
Interest in a jointly controlled entity	8,534	—
Trade and other receivables	2	422
Bank balances and cash	—	87
Trade and other payables	(111)	(21)
	8,425	719
Gain on disposal	6,768	54
	15,193	773
Satisfied by:		
Cash	15,193	773
Net cash inflow arising on disposal:		
Cash consideration	15,193	773
Bank balances and cash disposed of	—	(87)
	15,193	686

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

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

The subsidiaries disposed of in 1999 contributed approximately HK\$0.6 million to the Group's turnover and contributed an operating profit of approximately HK\$0.1 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

37. Analysis Of Changes In Financing During The Year

	Share capital and premium HK\$'000	Mortgage loans HK\$'000	Trust receipt loans HK\$'000	Bank convertible note HK\$'000	Notes payable to a shareholder HK\$'000	Amount due to a shareholder HK\$'000	Bank loans HK\$'000	Obligations under finance leases and hire purchase contracts HK\$'000	Amounts due to minority shareholders HK\$'000	Minority interests HK\$'000
At 1st January, 1999	372,723	6,539	153,509	—	—	1,798	—	2,458	3,610	32,320
Acquisition of subsidiaries	—	9,973	—	—	—	—	—	156	939	90,538
Acquisition of further interests in subsidiaries	—	—	—	—	—	—	—	—	—	(9,241)
Exchange difference arising from translation of overseas subsidiaries	—	7	—	—	—	—	—	—	—	—
Share of results by minority interests	—	—	—	—	—	—	—	—	—	13,192
Dividend paid to the minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(3,260)
Inception of new finance leases and hire purchase contracts	—	—	—	—	—	—	—	2,632	—	—
New borrowings	—	1,600	14,790	20,000	—	—	25,030	—	—	—
Repayment of borrowings	—	(2,354)	(25,925)	—	—	(1,798)	—	(1,847)	(325)	—
At 31st December, 1999	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

38. Major Non-Cash Transactions

- (i) 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\$6,474,000 (1999: HK\$2,632,000).
- (ii) The consideration in respect of the acquisition of further interests in subsidiaries of approximately HK\$10,541,000 had not been settled as at 31st December, 2000.
- (iii) During the year, investment properties of approximately HK\$27,800,000 were acquired from debtors as settlement of amounts owe from them.

39. Pledge Of Assets

As at 31st December, 2000, the Group has pledged the following assets to banks as securities for general banking facilities granted to the Group:

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Investment properties	17,700	—
Land and buildings	49,592	59,400
Plant and machinery	3,851	—
Properties held for sale	—	6,600
Bank deposit (<i>note</i>)	16,094	—
	87,237	66,000

In addition, the Group has also pledged the shares of one of its subsidiaries with market value of approximately HK\$Nil (1999: HK\$205,911,000) representing the Group's 50.1% interest in this subsidiary to banks as securities for general banking facilities granted to the Group.

Note: At 31st December, 2000, the Group has pledged its bank deposit of HK\$16,094,000 as a security against the general banking facilities granted to subsidiaries. The facility utilised by the subsidiaries as at 31st December, 2000 amounted to HK\$Nil and, in the opinion of the directors, the deposit pledged will be uplifted in the near future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

40. Contingent Liabilities

At the balance sheet date, the Group and the Company had the following contingent liabilities:

- (i) The Group and the Company provided corporate guarantees to the extent of approximately HK\$Nil (1999: HK\$9,619,000) to banks to secure general banking facilities granted to former subsidiaries of the Company. The total facilities utilised by the former subsidiaries of the Company at 31st December, 2000 amounted to approximately HK\$Nil (1999: HK\$8,856,000).
- (ii) The Company provided corporate guarantees to the extent of approximately HK\$653,388,000 (1999: HK\$630,241,000) to banks to secure general banking facilities granted to its subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2000 amounted to approximately HK\$234,477,000 (1999: HK\$158,174,000).

41. Lease Commitments

At the balance sheet date, the Group and the Company had commitments payable in the following year under non-cancellable operating leases as follows:

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings				
Operating leases which expire:				
Within one year	495	678	495	—
More than one year but not exceeding five years	3,135	3,047	1,595	1,595
Over five years	722	231	—	—
	4,352	3,956	2,090	1,595
Plant and machinery				
Operating leases which expire:				
More than one year but not exceeding five years	76	—	—	—
Over five years	583	538	—	—
	659	538	—	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

42. Capital Commitments

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
— contracted for but not provided in the financial statements	—	214
— authorised but not contracted for	11,521	2,297
	<u>11,521</u>	<u>2,511</u>

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

43. 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 separately from those of the Group 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 separately from those of the Group 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 scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the Defined Contribution Scheme and the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

During the year, the Group made retirement benefits scheme contributions of approximately HK\$674,000 (1999: HK\$601,000) after forfeited contributions utilised in the Defined Contribution Scheme of approximately HK\$989,000 (1999: HK\$1,346,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

44. Related Party Transactions

- (i) During the year, 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 Golik Investments Limited ("GIL"), a substantial shareholder, 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.
- (ii) In 1999, the Group entered into the following transaction and had the following balances with related parties:

	<i>HK\$'000</i>
(a) Management fee received from companies in which Messrs. Pang Tak Chung, Robert Keith Davies and Ho Wai Yu, Sammy are common directors until 15th December, 1999 ("related companies")	620
Rent received from related companies	844
Amounts due from the related companies at the balance sheet date	49,785

Management fee and rent received were carried out at terms mutually agreed by both parties.

- (b) Purchases of goods from a former jointly controlled entity of HK\$835,582 (note).
- (c) GIL assigned a loan together with interest made by Daido Concrete Company Limited, the former single largest shareholder of Daido, to Daido in the amount of approximately HK\$70.2 million and the related security, 4,198,250 shares of US\$1.00 each in China Pacific Limited, a subsidiary of Daido, to the Company's subsidiary, Worldlight Group Limited, for a consideration of HK\$6 million.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2000

45. Post Balance Sheet Events

- (i) On 12th January, 2001, the Group disposed of a 8% interest in Fulwealth Metal Factory Limited for a consideration of approximately HK\$7,000,000.

- (ii) On 17th November, 2000 and 19th January, 2001, Daido and its wholly owned subsidiary, Eastcom Holdings Limited, entered into agreements (the "Acquisition Agreements") with the Liquidators of Siu Fung Ceramics Holdings Limited and its subsidiaries, for purchase of interests in and loans due 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 been lapsed and the deposits paid of HK\$2,500,000 was forfeited by the vendor.

Total expenses incurred of HK\$5,550,000 in respect of the acquisition, including the forfeited deposit, were charged to the consolidated income statement.

- (iii) 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 securities for general banking facilities granted to the Group.

FINANCIAL SUMMARY

	Year ended 31st December,				
	As restated				
	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover					
Continuing operations	—	749,163	929,422	1,027,647	1,121,456
Discontinued operations	393,550	382,246	128,380	—	—
	393,550	1,131,409	1,057,802	1,027,647	1,121,456
Profit (loss) from operations					
Continuing operations	—	72,091	74,232	77,235	84,716
Discontinued operations	(19,984)	(1,147)	(7,780)	—	—
Finance costs	(8,208)	(26,909)	(31,210)	(15,769)	(23,648)
Share of results of an associate	—	(55)	(18)	—	—
Share of results of a jointly controlled entity	—	—	—	(166)	(1,614)
Profit (loss) before taxation	(28,192)	43,980	35,224	61,300	59,454
Taxation	(14)	(7,007)	(6,915)	(6,697)	(762)
Profit (loss) after taxation	(28,206)	36,973	28,309	54,603	58,692
Minority interests	—	(5,396)	(7,981)	(13,192)	(24,982)
Net profit (loss) for the year	(28,206)	31,577	20,328	41,411	33,710

ASSETS AND LIABILITIES

	At 31st December,				
	As restated				
	1996	1997	1998	1999	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	280,358	926,152	604,746	918,935	998,618
Total liabilities	(121,853)	(630,553)	(243,391)	(464,534)	(531,982)
Minority interests	—	(29,997)	(32,320)	(123,549)	(107,240)
Shareholders' funds	158,505	265,602	329,035	330,852	359,396

Notes:

1. The result for the year ended 31st December, 1996 has been extracted from the Company's annual report after restatement to reflect the effect of the prior period adjustment.
2. The summary of assets and liabilities for the Group at 31st December, 1996 has been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustment.