1. CORPORATE REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated on 30th March, 2000 in Bermuda as an exempt company under the Companies Act of Bermuda. Pursuant to a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance (the "Scheme"), the Company became the holding company of Daido Concrete (H.K.) Limited ("DCHK") on 10th November, 2000. On the same date, the Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in place of the shares of DCHK. The Company's ultimate holding company is Golik Holdings Limited ("GHL"), a company which is also incorporated in Bermuda and with its shares listed on the Stock Exchange.

The principal steps of the Scheme were as follows:

(a) the Scheme was approved by a majority in number, representing three-fourths in value of the shareholders voting in person or by proxy at a meeting convened at the direction of the High Court of the Hong Kong Special Administrative Region of the People's Republic of China (the "Court") on 12th October, 2000;

(b) the Scheme sanctioned by the Court on 7th November, 2000, a copy of the order of the Court as required by Section 166 of the Companies Ordinance was delivered to the Registrar of the Companies in Hong Kong for registration;

(c) the Bermuda Monetary Authority granted permission for, among other things, the issue of shares pursuant to the Scheme and the issue of the shares which may fall to be issued pursuant to the exercise of share options to be granted under the share option scheme;

(d) the shareholders of DCHK received shares of the Company in exchange for the shares of DCHK on a one for one basis;

(e) the Listing Committee of the Stock Exchange granted the listing of, and permission to deal in, the shares of the Company on 10th November, 2000; and

(f) the listing of the shares of DCHK on the Stock Exchange was withdrawn and simultaneously the shares of the Company was listed on the Stock Exchange by way of introduction.

The Company, DCHK and its subsidiaries (collectively the "Group") resulting from the above mentioned reorganisation is regarded as a continuity entity and accordingly the consolidated financial statements have been prepared and presented on the basis that the current group structure had been in existence for the year ended 31st December, 2000.

The principal activities of the Group are manufacturing, sales and installation of autoclaved aerated lightweight concrete blocks and panels ("ALC Products"), manufacturing and sales of welded wire mesh, metal products and semi-precast concrete slab and sales of piles.

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

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

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

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders' funds at 1st January, 2001 by HK$9,000,000. Comparative information has been restated to reflect this change in accounting policy.

Leases

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

Segment reporting

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

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and 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 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

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

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

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

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill *(Continued)*

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

Subsidiaries

A subsidiary is an enterprise over which the Company has control, either directly or indirectly. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investment in a subsidiary is included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Construction contracts

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

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

Others

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Leasehold land	Over the terms of the leases
Industrial buildings	Over the shorter of the terms of the leases, or 20 to 25 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – $33\frac{1}{3}$%
Motor vehicles	20% – $33\frac{1}{3}$%
Plant and machinery and equipment	5% – 50%

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

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

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

Leased assets

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 are capitalised at their fair values at the dates of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease 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 annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

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

Construction contracts

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

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

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

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

Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Taxation

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

Cash equivalents

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

Retirement benefits scheme

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

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three operating divisions - construction work contracting and sales of concrete products, sales of steel products and manufacturing and sales of metal products. These principal operating activities are the basis on which the Group reports its primary segment information.

In prior years, the Group was also involved in the manufacturing and sales of concrete piles and spiral pipes. These operations were discontinued from 17th December, 1999 and 31st March, 2000 respectively *(note 12)*.

4. SEGMENT INFORMATION *(Continued)*

Segment information about these businesses is presented below.

2001

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	65,381	82,331	51,458	–	–	199,170
Inter-segment sales	–	–	2,943	–	(2,943)	–
Total revenue	65,381	82,331	54,401	–	(2,943)	199,170
SEGMENT RESULT	20,769	2,101	4,273	–	(185)	26,958
Unallocated corporate revenue						7,539
Unallocated corporate expenses						(2,786)
Profit from operations						31,711

BALANCE SHEET

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	163,711	15,203	74,400	–	253,314
Unallocated corporate assets					501
Consolidated total assets					253,815
LIABILITIES					
Segment liabilities	54,655	1,007	5,862	–	61,524
Unallocated corporate liabilities					25,738
Consolidated total liabilities					87,262

4. SEGMENT INFORMATION *(Continued)*

OTHER INFORMATION

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditures	**20,920**	**–**	**1,364**	**–**	**22,284**
Depreciation	**5,332**	**–**	**4,683**	**–**	**10,015**

2000

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	169,932	44,147	27,247	2,391	–	243,717
Inter-segment sales	–	–	286	–	(286)	–
Total revenue	169,932	44,147	27,533	2,391	(286)	243,717
SEGMENT RESULT	28,961	386	2,563	(16)	–	31,894
Unallocated corporate revenue						899
Unallocated corporate expenses						(1,770)
Profit from operations						31,023

4. SEGMENT INFORMATION *(Continued)*

BALANCE SHEET

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS					
Segment assets	156,355	52,105	86,895	–	295,355
Unallocated corporate assets					787
Consolidated total assets					296,142
LIABILITIES					
Segment liabilities	82,506	14,599	23,117	–	120,222
Unallocated corporate liabilities					37,627
Consolidated total liabilities					157,849

OTHER INFORMATION

	Construction work contracting and sales of concrete products	Sales of steel products	Manufacturing and sales of metal products	Manufacturing and sales of concrete piles and spiral pipes	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditures	2,980	5	2,580	–	5,565
Depreciation	5,044	2	2,313	–	7,359

Geographical segments

All of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and profit from operations are derived from Hong Kong.

More than 90% of the Group's assets are located in Hong Kong and more than 90% of additions to property, plant and equipment during the year are incurred in Hong Kong.

5. OTHER REVENUE

	2001	2000
	HK$'000	*HK$'000*
Claims received	**4,397**	–
Exchange gains, net	**–**	234
Gain on disposal of property, plant and equipment	**–**	1,080
Gain on disposal of properties held for sale	**–**	909
Licence fee income	**–**	1,800
Other service income	**234**	–
Property manager remuneration	**474**	592
Sundry income	**63**	207
	5,168	4,822

6. WRITE BACK OF PROVISION FOR RESTRUCTURING FEES/SEVERANCE PAYMENTS

During the period from 1st May, 1999 to 31st December, 1999, the Group underwent a financial restructuring pursuant to several restructuring agreements between its bankers, convertible noteholders and other financial creditors. Upon the completion of the financial restructuring in the current year, the excess amounts provided for restructuring fees and severance payments were written back.

7. WRITE BACK OF PROVISION FOR CLAIMS

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

8. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	2001	2000
	HK$'000	*HK$'000*
Auditors' remuneration	**1,194**	1,368
Depreciation		
Owned assets	**9,234**	6,987
Assets held under finance leases	**781**	372
Exchange losses, net	**167**	–
Loss on disposal of property, plant and equipment	**310**	–
Minimum lease payments for operating leases in respect of plant and machinery	**84**	76
Impairment loss for inventory obsolescence	**353**	1,844
Impairment loss recognised in respect of a jointly-controlled entity	**–**	119
Staff costs including directors' emoluments and retirement benefits scheme contributions	**47,059**	75,314
Amount capitalised in contract work	**(12,469)**	(26,883)
Amount capitalised in assets under installation	**(1,762)**	(966)
	32,828	47,465

Minimum lease payments for operating leases in respect of a director's accommodation amounting to approximately HK$420,000 (2000: HK$428,000) are included under staff costs.

The income and expenses items for the year ended 31st December, 2000 attributable to the discontinued operations are insignificant.

9. WRITTEN OFF OF EXPENSES FOR PROPOSED INVESTMENT

On 17th November, 2000 and 19th January, 2001, the Company 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 ("Siu Fung Group"), for the purchase of interests in and loans due to Siu Fung Group from certain joint venture companies.

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

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

10. FINANCE COSTS

	2001	2000
	HK$'000	*HK$'000*
Interest on bank and other loans wholly repayable within five years	823	315
Interest on promissory note	1,048	552
Interest on finance leases	426	84
	2,297	951

11. GAIN ON DISPOSAL OF AN ASSOCIATE/SUBSIDIARIES

	2001	2000
	HK$'000	*HK$'000*
Gain on disposal of an associate	–	47
Gain on disposal of subsidiaries	–	6,768
	–	6,815

12. DISCONTINUED OPERATIONS

Pursuant to the resolutions passed by the board of directors of DCHK on 17th December, 1999 and 31st March, 2000, it was resolved to cease the operations in the manufacturing and sales of concrete piles and to dispose of the Group's interest in a subsidiary which carried out the trading of spiral pipes in prior years. These operations were carried out by DCHK and one of its indirectly-owned subsidiaries.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2001	2000
	HK$'000	*HK$'000*
Fees:		
Executive	**–**	–
Non-executive	**120**	120
Independent non-executive	**160**	160
	280	280
Other emoluments:		
Executive		
Salaries and other benefits	**3,296**	4,523
Contributions to retirement benefits scheme	**83**	13
	3,379	4,536
	3,659	4,816

The directors' emoluments were within the following bands:

	2001	2000
	Number of directors	Number of directors
HK$Nil to HK$1,000,000	**9**	9
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	1
	10	11

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included two directors (2000: two directors), details of whose emoluments are set out above. The emoluments of the remaining three individuals (2000: three individuals), are as follows:

	2001	2000
	HK$'000	*HK$'000*
Salaries and other benefits	2,643	2,957
Contributions to retirement benefits scheme	104	17
	2,747	2,974

Their emoluments were within the following bands:

	2001	2000
	Number of employees	Number of employees
HK$Nil to HK$1,000,000	2	2
HK$1,000,001 – HK$1,500,000	1	1
	3	3

14. TAXATION CREDIT

	2001	2000
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Hong Kong Profits Tax		
Current year	(147)	(42)
Overprovision in respect of prior years	246	2,899
Deferred tax *(note 30)*	4,595	505
	4,694	3,362

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

15. DIVIDEND

On 31st May, 2001, a dividend of HK$0.003 per share was paid to shareholders as the final dividend in respect of 2000.

A dividend in respect of 2001 of HK$0.003 per share, amounting to HK$9,000,000 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2001	2000
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share	**29,659**	38,207
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	3,000,000,000
Effect of dilutive share options	**37,498,358**	5,095,666
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,037,498,358**	3,005,095,666

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Industrial buildings	Leasehold improve-ments	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP								
COST								
At 1st January, 2001	52,212	144,991	17,030	6,496	3,265	178,278	4,874	407,146
Additions	–	–	296	151	1	1,350	20,486	22,284
Disposals	–	–	–	(680)	(407)	(25)	–	(1,112)
Reclassification	–	–	2,464	(974)	–	23,870	(25,360)	–
At 31st December, 2001	52,212	144,991	19,790	4,993	2,859	203,473	–	428,318
DEPRECIATION								
At 1st January, 2001	42,503	122,832	11,599	5,276	2,259	105,071	–	289,540
Provided for the year	247	1,364	820	231	489	6,864	–	10,015
Eliminated on disposals	–	–	–	(361)	(394)	(11)	–	(766)
Reclassification	–	–	497	(497)	–	–	–	–
At 31st December, 2001	42,750	124,196	12,916	4,649	2,354	111,924	–	298,789
NET BOOK VALUES								
At 31st December, 2001	9,462	20,795	6,874	344	505	91,549	–	129,529
At 31st December, 2000	9,709	22,159	5,431	1,220	1,006	73,207	4,874	117,606

The leasehold land and industrial buildings of the Group are situated in Hong Kong and are held under medium term leases.

The net book values of motor vehicles and plant and machinery and equipment of the Group include HK$Nil (2000: HK$17,000) and HK$24,109,000 (2000: HK$3,836,000) respectively in respect of assets held under finance leases.

18. INVESTMENTS IN SUBSIDIARIES

	2001	2000
	HK$'000	*HK$'000*
Unlisted shares, at cost	**123,431**	123,239

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

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Daido Asia Company Limited	Hong Kong	HK$2,000,000 Ordinary shares	–	100%	Sales of piles, metal products and building materials
Daido Building Materials Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Manufacturing and sales of ALC Products
Daido Concrete (H.K.) Limited	Hong Kong	HK$750,000,000 Ordinary shares	–	100%	Investment holding
Daido Home Finance Limited	Hong Kong	HK$100,000 Ordinary shares	–	100%	Money lending
Daido Home International Limited	Cayman Islands	HK$225,375,000 Ordinary shares HK$91,500,000 Convertible redeemable preference shares **	–	100%	Investment holding, sales and installation of ALC Products and sales of building materials
Eastcom Holdings Limited	British Virgin Islands	US$1 Ordinary Share	–	100%	Investment holding
Daido Precast Company Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Manufacturing and sales of semi-precast concrete slab

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Genius Project Development Company Limited	Hong Kong	HK$10,000 Ordinary shares	–	100%	Provision of property management services
Golik Metal Manufacturing Co. Limited	Hong Kong	HK$30,000,000 Ordinary shares	–	100%	Manufacturing and sales of welded wire mesh and metal products
Tak Sun Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding
Ytong Hong Kong Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Installation of ALC Products

* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

** The convertible redeemable preference shares of Daido Home International Limited 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.

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

19. LONG-TERM RECEIVABLES

	THE GROUP 2001	2000
	HK$'000	HK$'000
Building mortgage loans (note a)	**750**	894
Other loan - secured (note b)	**15,000**	15,000
Retention receivables (note c)	**10,938**	12,973
	26,688	28,867
Less: amounts due within one year included in trade and other receivables	**(25,934)**	(26,818)
Amounts due after one year	**754**	2,049

Notes:

(a) The building mortgage loans bear interest at 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009.

(b) The loan is secured, bears interest at 4% (2000: 8%) per annum and is repayable in October 2002.

(c) The retention receivables are not been due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.

20. INVENTORIES

	THE GROUP 2001	2000
	HK$'000	HK$'000
Raw materials	**5,126**	11,683
Work in progress	**1,374**	673
Finished goods	**9,067**	19,207
Supplies	**363**	356
	15,930	31,919

Finished goods amounting to HK$2,250,000 (2000: HK$Nil) are carried at net realisable value.

21. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 15 to 45 days to its customers.

Included in trade and other receivables are trade receivables of HK$30,830,000 (2000: HK$38,989,000) with an aged analysis as follows:

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
0 – 30 days	**16,833**	15,792
31 – 60 days	**7,976**	13,306
61 – 90 days	**3,023**	6,227
91 – 120 days	**1,142**	1,230
More than 120 days	**1,856**	2,434
	30,830	38,989

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

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

23. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$4,406,000 (2000: HK$15,595,000) with an aged analysis as follows:

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
0 – 30 days	**2,404**	431
31 – 60 days	**1,433**	14,991
61 – 90 days	**381**	165
91 – 120 days	**124**	–
More than 120 days	**64**	8
	4,406	15,595

24. PROMISSORY NOTE DUE TO A FELLOW SUBSIDIARY

The amount was unsecured, bore interest at 8% per annum and was fully repaid during the year.

25. BANK BORROWINGS

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
Unsecured bank borrowings:		
Bank overdrafts	**–**	2,063
Trust receipt loans	**7,253**	4,558
	7,253	6,621

26. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Within one year	**5,839**	1,313	**5,227**	1,194
In the second to fifth year inclusive	**9,519**	598	**8,888**	582
	15,358	1,911	**14,115**	1,776
Less: future finance charges	**(1,243)**	(135)	**–**	–
Present value of lease obligations	**14,115**	1,776	**14,115**	1,776
Less: amounts due within one year shown under current liabilities			**(5,227)**	(1,194)
Amounts due after one year			**8,888**	582

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The average lease term is 3 years. For the year ended 31st December, 2001, the average effective borrowing rate was 5%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

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

27. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 30th March, 2000	10,000,000	100
Increased on 8th November, 2000	4,990,000,000	49,900
At 31st December, 2000 and 2001	5,000,000,000	50,000
Issued and fully paid:		
Issued on 14th June, 2000	10,000,000	100
Issued on 8th November, 2000	2,990,000,000	29,900
At 31st December, 2000 and 2001	3,000,000,000	30,000

Movements in the share capital of the Company are as follows:

(a) The Company was incorporated on 30th March, 2000 with an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each, all of which had been issued and credited as HK$Nil paid on 14th June, 2000.

(b) Prior to the effective date of the Scheme (note 1), the authorised share capital of the Company was increased to HK$50,000,000 by the creation of an additional 4,990,000,000 new shares of HK$0.01 each.

(c) On 8th November, 2000, 2,990,000,000 new shares of HK$0.01 each were issued, and the 10,000,000 existing shares issued on 14th June, 2000 were transferred and credited as fully paid to exchange for the shares of DCHK on a one for one basis. The excess of the nominal value between the shares of DCHK and the Company was credited to the capital reserve.

There was no movement in the share capital of the Company for the year ended 31st December, 2001.

28. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme (the "Option Scheme") of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and will expire 10 years after the date of adoption, the directors of the Company may grant options to any directors or 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 Option Scheme may not exceed 10 per cent. of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Option 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 Option Scheme. Upon acceptance of option, the grantee shall pay HK$1 to the Company as consideration.

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

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

29. RESERVES

	Share premium	Contributed surplus	Goodwill reserve	Negative goodwill	Capital reserve	Accumulated profits (losses)	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
At 1st January, 2000	571,271	–	–	29	–	(1,202,544)	(631,244)
Goodwill arising on acquisition of a subsidiary	–	–	(18,670)	–	–	–	(18,670)
Transfer to capital reserve and cancellation of share premium of DCHK pursuant to the Scheme	(571,271)	–	–	–	571,271	–	–
Capital reserve arising pursuant to the Scheme	–	–	–	–	720,000	–	720,000
Net profit for the year	–	–	–	–	–	38,207	38,207
Dividend	–	–	–	–	–	(9,000)	(9,000)
At 1st January, 2001							
– as previously stated	**–**	**–**	**(18,670)**	**29**	**1,291,271**	**(1,173,337)**	**99,293**
– prior period adjustment (note 2)	**–**	**–**	**–**	**–**	**–**	**9,000**	**9,000**
– as restated	**–**	**–**	**(18,670)**	**29**	**1,291,271**	**(1,164,337)**	**108,293**
Adjustment on goodwill (note b)	**–**	**–**	**7,601**	**–**	**–**	**–**	**7,601**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**29,659**	**29,659**
Dividend	**–**	**–**	**–**	**–**	**–**	**(9,000)**	**(9,000)**
At 31st December, 2001	**–**	**–**	**(11,069)**	**29**	**1,291,271**	**(1,143,678)**	**136,553**
THE COMPANY							
Surplus created pursuant to the Scheme	–	93,239	–	–	–	–	93,239
Net profit for the period	–	–	–	–	–	10,000	10,000
Dividend	–	–	–	–	–	(9,000)	(9,000)
As 1st January, 2001							
– as previously stated	**–**	**93,239**	**–**	**–**	**–**	**1,000**	**94,239**
– prior period adjustment (note 2)	**–**	**–**	**–**	**–**	**–**	**9,000**	**9,000**
– as restated	**–**	**93,239**	**–**	**–**	**–**	**10,000**	**103,239**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**(14)**	**(14)**
Dividend	**–**	**–**	**–**	**–**	**–**	**(9,000)**	**(9,000)**
At 31st December, 2001	**–**	**93,239**	**–**	**–**	**–**	**986**	**94,225**

29. RESERVES *(Continued)*

Notes:

(a) 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.

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:

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

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

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

	2001	2000
	HK$'000	*HK$'000*
Contributed surplus	**93,239**	93,239
Retained profits	**986**	10,000
	94,225	103,239

(b) The amount represents compensation payable by Golik Metal Industrial Company Limited ("GMI"), a wholly-owned subsidiary of GHL, for the shortfall of the minimum profit guarantee in accordance with the terms of the agreement entered into between certain subsidiaries of the Group and GMI for acquisition of Golik Metal Manufacturing Co. Limited ("GMM") from GMI on 6th July, 2000.

30. DEFERRED TAX

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
At beginning of the year	**5,744**	93
On acquisition of a subsidiary	**–**	6,156
Movement for the year *(note 14)*	**(4,595)**	(505)
At end of the year	**1,149**	5,744

30. DEFERRED TAX *(Continued)*

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

	Provided		Unprovided	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	**(1,149)**	(5,744)	**(29,319)**	(23,785)
Impairment of property, plant and equipment	**–**	–	**13,067**	14,301
Taxation losses	**–**	–	**92,249**	102,812
Net deferred tax (liability) asset	**(1,149)**	(5,744)	**75,997**	93,328

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.

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

	Provided		Unprovided	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Tax effect of timing differences because of:				
(Shortfall) excess of tax allowances over depreciation	**(4,595)**	(505)	**5,534**	7,274
Impairment of property, plant and equipment	**–**	–	**1,234**	1,233
Taxation losses	**–**	–	**10,563**	(8,520)
	(4,595)	(505)	**17,331**	(13)

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

	2001	2000
	HK$'000	*HK$'000*
Profit before taxation	**24,965**	34,866
Share of results of a jointly-controlled entity	**–**	1,614
Interest income	**(2,712)**	(5,143)
Interest expenses	**2,297**	951
Depreciation	**10,015**	7,359
Loss (gain) on disposal of property, plant and equipment	**310**	(1,080)
Gain on disposal of properties held for sale	**–**	(909)
Gain on disposal of an associate	**–**	(47)
Gain on disposal of subsidiaries	**–**	(6,768)
Impairment loss recognised in respect of a jointly controlled entity	**–**	119
Amount due to an associate written off	**–**	7
Decrease (increase) in inventories	**15,989**	(10,787)
Decrease in trade and other receivables	**10,724**	15,929
Decrease (increase) in amounts due from customers for contract work	**62**	(122)
Increase in amounts due from fellow subsidiaries	**(1,090)**	–
(Decrease) increase in amounts due to customers for contract work	**(12,610)**	298
(Decrease) increase in trade and other payables	**(28,233)**	499
Decrease in amounts due to fellow subsidiaries	**(7,980)**	(3,007)
Net cash inflow from operating activities	**11,737**	33,779

Net cash flow in respect of discontinued activities for the year ended 31st December, 2000 are insignificant.

32. ACQUISITION OF A SUBSIDIARY

	2000
	HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	39,300
Inventories	14,174
Trade receivables	14,085
Other receivables	1,069
Amounts due from fellow subsidiaries	234
Bank balances and cash	256
Bank overdrafts	(1,885)
Trade payables	(1,065)
Other payables	(331)
Amounts due to fellow subsidiaries	(22,683)
Tax liabilities	(690)
Obligations under finance leases	(2,108)
Deferred tax	(6,156)
	34,200
Goodwill	18,670
Total consideration	52,870
Satisfied by:	
Cash	32,000
Legal costs incurred	870
	32,870
Promissory note payable	20,000
	52,870
Net cash outflow arising on acquisition:	
Cash	(32,870)
Bank balances and cash acquired	256
Bank overdrafts acquired	(1,885)
Net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	(34,499)

32. ACQUISITION OF A SUBSIDIARY *(Continued)*

The subsidiary acquired last year contributed HK$1,673,000 to the Group's net operating cash flows, paid HK$141,000 in respect of the returns on investments and servicing of finance, paid HK$1,247,000 in respect of taxation, raised HK$44,000 for investing activities and raised HK$662,000 in respect of financing activities.

The subsidiary acquired last year contributed HK$27,247,000 to the Group's turnover, and HK$2,563,000 to the Group's profit from operations.

33. DISPOSAL OF SUBSIDIARIES

	2000
	HK$'000
NET ASSETS DISPOSED OF	
Interest in a jointly controlled entity	8,758
Amount due to jointly controlled entity	(224)
Other receivables	2
Other payables	(111)
	8,425
Gain on disposals	6,768
Total consideration	15,193
Satisfied by:	
Cash	15,193

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

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

34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium account	Minority interests	Obligations under finance leases	Trust receipt loans	Amount due to a shareholder of the ultimate holding company
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2000	1,321,271	25,299	139	–	–
Acquisition of a subsidiary	–	–	2,108	–	–
New borrowings	–	–	–	4,558	–
Repayment of borrowings	–	–	(471)	–	–
Share of profit for the year	–	21	–	–	–
Acquisition of further interest in a subsidiary	–	(4,305)	–	–	–
Transfer to capital reserve pursuant to group reorganisation	(1,291,271)	–	–	–	–
Acquisition of minority interests	–	(21,015)	–	–	–
At 31st December, 2000	**30,000**	**–**	**1,776**	**4,558**	**–**
New borrowings	**–**	**–**	**16,607**	**92,438**	**124**
Repayment of borrowings	**–**	**–**	**(4,268)**	**(89,743)**	**–**
At 31st December, 2001	**30,000**	**–**	**14,115**	**7,253**	**124**

35. MAJOR NON-CASH TRANSACTIONS

(i) During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of approximately HK$14,507,000 (2000: HK$Nil).

In addition, other payables amounting to HK$2,100,000 were settled by inception of a finance lease (2000: HK$Nil).

(ii) The consideration in respect of the acquisition of a subsidiary last year was satisfied by cash consideration of HK$32 million and a promissory note of HK$20 million payable in August 2001.

36. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged its bank deposit of HK$434,000 (2000: HK$15,931,000) as a security against the general banking facilities granted to a subsidiary. No facility was utilised by the subsidiary at the balance sheet date.

37. CONTINGENT LIABILITIES

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

(i) The Group and a fellow subsidiary provided cross corporate guarantees to the extent of HK$Nil (2000: HK$45,000,000) to banks to secure general banking facilities granted to a subsidiary and a fellow subsidiary. The total facilities utilised by the fellow subsidiary at 31st December, 2001 amounted to approximately HK$Nil (2000: HK$28,272,000).

(ii) The Company provided corporate guarantees to the extent of approximately HK$76,197,000 (2000: HK$51,197,000) to banks to secure general banking facilities granted to certain subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2001 amounted to approximately HK$7,253,000 (2000: HK$Nil).

(iii) The Company provided corporate guarantees to the extent of approximately HK$14,508,000 (2000: HK$Nil) to finance companies to secure finance lease facilities granted to certain subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2001 amounted to approximately HK$12,191,000 (2000: HK$Nil).

38. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
Land and buildings		
Within one year	**158**	420
In the second to fifth year inclusive	**–**	158
	158	578
Plant and machinery and equipment		
Within one year	**76**	76
In the second to fifth year inclusive	**25**	101
	101	177

Operating lease payments represent rentals payable by the Group for a director's quarter and certain of its plant and machinery and equipment. Leases are negotiated for terms ranging from two to five years with fixed rentals over the terms of the leases.

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

39. CAPITAL COMMITMENTS

	THE GROUP	
	2001	2000
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**67**	11,521

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

40. RETIREMENT BENEFITS SCHEME

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

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

During the year, the Group made retirement benefits scheme contributions of HK$1,630,000 (2000: HK$104,000) after forfeited contributions utilised in the Defined Contribution Scheme of HK$223,000 (2000: HK$745,000).

41. RELATED PARTY TRANSACTIONS

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

	Notes	2001 HK$'000	2000 HK$'000
Purchases of goods from a former jointly controlled entity	(a)	–	2,386
Purchases of goods from fellow subsidiaries	(a)	6,516	12,038
Sales of goods to fellow subsidiaries	(a)	2,760	6,425
Licence fee income received from a fellow subsidiary	(b)	–	1,800
Rent and infreight charges paid to a fellow subsidiary	(c)	3,027	606
Promissory note interest paid to a fellow subsidiary	(d)	1,048	552
Amounts due from fellow subsidiaries		1,090	–
Amounts due to fellow subsidiaries		3,657	19,238
Amount due to a shareholder of the ultimate holding company		124	–
Promissory note due to a fellow subsidiary	(d)	–	20,000

Notes:

(a) Purchases and sales of goods were carried out at cost plus a percentage profit mark up.

(b) Licence fee income was charged at HK$225,000 per month.

(c) Rent and infreight charges was charged at agreed price per ton.

(d) During the year ended 31st December, 2000, the Group acquired a subsidiary from a fellow subsidiary at a consideration of HK$52 million, of which, HK$32 million was satisfied by cash and HK$20 million was satisfied by the issuance of a promissory note bears interest at 8% per annum. The promissory note was fully repaid in August 2001.

(ii) The Group and a fellow subsidiary provided cross corporate guarantees to the extent of HK$Nil (2000: HK$45,000,000) to banks to secure general banking facilities granted to a subsidiary and a fellow subsidiary.

(iii) At 31st December, 2001, compensation of approximately HK$7.6 million (2000: HK$Nil) is payable to the Group by GMI, a wholly-owned subsidiary of GHL, for the shortfall of the minimum profit guarantee in accordance with the terms of the agreement in respect of the acquisition of a subsidiary from GMI.