

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

I. CORPORATE UPDATE AND BASIS OF PRESENTATION

In preparing the financial statements for the prior year, the directors considered that there would be significant curtailment of the Group's operations in the foreseeable future, which would involve an orderly winding down of the operations of the Group's principal subsidiary, Full Arts Metal Works Limited ("Full Arts") and its subsidiaries (collectively the "Full Arts Group"). Accordingly, the 1999 financial statements were prepared on the basis that Full Arts Group would not continue to operate as a going concern in the foreseeable future, and the results attributable to Full Arts Group in prior year were classified under discontinuing operations in the 1999 consolidated profit and loss account. However, at that time the directors were not able to estimate the realisable values of all the Group's assets, or to quantify and make provision for all further liabilities which might arise in the event that the Group was unable to operate as a going concern because of the uncertainties potentially affecting its orderly winding down strategy, notably those arising from the then ongoing restructuring exercise of the outstanding bank borrowings of Guangdong Investment Limited ("GDI") and its subsidiaries (collectively the "GDI Group"), which included the Group, and which were expected to potentially have a significant impact on the directors' ability to wind down the Group's operations in an orderly manner.

During the year, the restructuring of the GDI Group was completed on 22 December 2000. Pursuant to the restructuring, certain Group bank loans of approximately HK\$185 million (A\$43 million) became direct indebtedness of GDI and these bank creditors agreed that they will have no further recourse to the Group. The remaining Group bank loans, aggregating approximately HK\$24 million (A\$6 million), were also assigned to GDI during the year. Consequently, as at the balance sheet date, the Group had no outstanding bank indebtedness and owed the GDI Group an aggregate net amount of approximately HK\$353 million (A\$82 million).

The Group reported a loss of approximately HK\$82 million (A\$19 million) for the year ended 31 December 2000 and its deficiency in assets was approximately HK\$342 million (A\$79 million) as at that date. Subsequent to the balance sheet date, on 10 February 2001, GDI entered into a conditional sale and purchase agreement (the "Agreement") with Hi Sun Limited ("Hi Sun"), an independent third party, to dispose of its entire holding of 48,138,892 shares in the capital of the Company (representing 57.16% of the Company's issued share capital) to Hi Sun. Pursuant to the Agreement, the GDI Group also agreed to waive the net balances owed by the Group to the GDI Group which had increased to approximately HK\$358 million (A\$92 million) at 3 March 2001 (of which the corresponding amount at the balance sheet date was approximately HK\$353 million (A\$82 million)) (the "GDI Indebtedness"). Pursuant to the Agreement, GDI also agreed to assume a contingent liability of the Group of approximately HK\$20 million (A\$5 million) as at 22 December 2000. The Agreement was completed on 3 March 2001 and Hi Sun has become the Company's ultimate holding company. On 9 March 2001, Hi Sun made an unconditional cash offer to acquire all the remaining outstanding issued shares of the Company at an offer price of HK\$0.654 (A\$0.17) per share. The offer will close on 10 April 2001.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

I. CORPORATE UPDATE AND BASIS OF PRESENTATION (Continued)

A pro forma condensed summary consolidated balance sheet of the Group as at 31 December 2000, prepared on the basis as if the GDI Indebtedness had been waived on 31 December 2000, is set out below:

As at 31 December 2000		
		(Unaudited)
	Audited	Pro forma
	balances	adjusted
	HK\$'000	balances
	HK\$'000	HK\$'000
NON-CURRENT ASSETS	22,874	22,874
CURRENT ASSETS	39,063	(17)
CURRENT LIABILITIES	(397,726)	352,754
NET CURRENT LIABILITIES	(358,663)	352,737
TOTAL ASSETS LESS CURRENT LIABILITIES	(335,789)	16,948
NON-CURRENT LIABILITIES	(5,727)	(5,727)
NET ASSETS/(DEFICIENCY IN ASSETS)	(341,516)	11,221

As at 31 December 2000		
		(Unaudited)
	Audited	Pro forma
	balances	adjusted
	A\$'000	balances
	A\$'000	A\$'000
NON-CURRENT ASSETS	5,294	5,294
CURRENT ASSETS	9,040	(4)
CURRENT LIABILITIES	(92,046)	81,637
NET CURRENT LIABILITIES	(83,006)	81,633
TOTAL ASSETS LESS CURRENT LIABILITIES	(77,712)	3,921
NON-CURRENT LIABILITIES	(1,326)	(1,326)
NET ASSETS/(DEFICIENCY IN ASSETS)	(79,038)	2,595

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

I. CORPORATE UPDATE AND BASIS OF PRESENTATION (Continued)

In preparing these financial statements, the directors have also carefully considered the following factors:

(i) Reactivation of existing business

As disclosed in the Company's 1999 annual report and noted above, the Group had been undertaking an orderly winding down of the operations of Full Arts Group since March 2000. During the year, Full Arts Group was principally engaged in completing the existing ongoing projects, reaching settlement agreements with the contractors on the billable amounts in respect of outstanding variation works, collecting outstanding trade receivables and settling liabilities in an orderly manner. Full Arts Group also did not tender for any new installation contracts during the year.

The management of Hi Sun has confirmed that they intend to reactivate and continue the existing business of the Group. On 9 March 2001, Hi Sun appointed five representatives to act as directors of the Company.

(ii) Adequacy of working capital

Following the waiver of the GDI Indebtedness subsequent to the balance sheet date, the directors are of the opinion that the Group will have sufficient working capital for its operations in the foreseeable future.

Based on the foregoing, the directors have prepared these financial statements on a going concern basis and the 1999 comparative amounts have been reclassified accordingly.

2. CORPORATE INFORMATION

The principal activities of the Group during the year were the design, supply and installation of curtain wall systems, architectural aluminum panel systems, industrial claddings, granite and stainless steel cladding systems, aluminum windows, doors and shopfronts, skylights and other building-related products for commercial buildings and residential apartment blocks, and the wholesale supply of sanitary-ware and kitchen cabinets in both the Hong Kong Special Administrative Region of The People's Republic of China ("Hong Kong") and Mainland China.

In the opinion of the directors, as at the balance sheet date, the ultimate holding company was Guangdong Yue Gang Investment Holdings Company Limited, a company established by Guangdong Provincial Government in Mainland China. As at the date of approval of these financial statements, the directors considered that the Company's ultimate holding company is Hi Sun Limited.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Translation of financial statements

The Group's financial records are principally maintained, and its statutory financial statements are principally stated, in Hong Kong dollars ("HK\$"). Translation of amounts from HK\$ into Australian dollars ("A\$") for the convenience of the readers has been made at the exchange rate prevailing as at 31 December 2000 of A\$1 = HK\$4.321 (1999: A\$1 = HK\$5.065).

The Australian dollar profit and loss account, balance sheets, statement of recognised gains and losses, cash flow statement and the notes to the financial statements are presented for illustrative purposes only. The comparative amounts stated in Australian dollars have not been restated at the rate prevailing as at 31 December 2000.

No representation is made that the Hong Kong dollar amounts could have been or could be converted into Australian dollars at that rate on 31 December 2000 or at any other rate.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital/registered capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the tangible fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 tangible fixed assets, the expenditure is capitalised as an additional cost of the tangible fixed assets.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

Depreciation is calculated on the straight-line basis to write off the cost of each asset, less its estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% – 6%
Leasehold improvements	20%
Office furniture and equipment	18% – 25%
Plant and equipment	9% – 25%
Motor vehicles	18% – 25%

Where, in the opinion of the directors, the recoverable amounts of fixed assets have declined below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Recoverable amounts are not determined using discounted cash flows. Reductions of recoverable amounts are charged to the profit and loss account in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Construction/installation contracts

Construction/installation revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Construction/installation costs incurred comprise direct materials, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction/installation contracts is recognised on the percentage of completion method, measured by reference to the costs incurred to date as compared to the total costs to be incurred under the construction/installation contract and/or independent quantity surveyor's assessment reports.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where progress billings exceed construction/installation costs incurred to date plus recognised profit less recognised losses, the surplus is treated as an amount due to contract customers.

Where construction/installation costs incurred to date plus recognised profit less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale are capitalised until the construction of the relevant asset is completed, and are included in the carrying value of the asset. The capitalisation rate is based on the actual cost of the related borrowings and the weighted average rate is 8% per annum for the year.

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

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets, other than legal title, to the Group are accounted for as finance leases. At the inception of a finance lease, the cost of the asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The interest element of the related lease obligation is charged to the profit and loss account so as to produce a constant periodic rate of charge over the period of the lease.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of a subsidiary established in Mainland China are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. All translation differences arising on consolidation are included in the exchange fluctuation reserve.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) value of construction/installation work performed, based on the stage of completion of the construction/installation work, provided that this and the costs incurred, as well as the estimated costs to completion, can be measured reliably. The stage of completion of the construction/installation work performed is established by reference to the costs incurred to date as compared to the total costs to be incurred under the construction/installation contract and/or independent quantity surveyor's assessment reports;
- (ii) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (iii) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (iv) arbitration award, when the right to receive payment is established.

Cash equivalents

For the purpose of balance sheet classification cash equivalents represent assets similar in nature to cash, which are not restricted as to use. For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

4. TURNOVER AND REVENUE

The turnover represents the value of construction/installation work performed and the invoiced value of goods sold, net of discounts and returns.

The Group's turnover and revenue for the year arose from the following activities:

	2000	1999	2000	1999
	HK\$'000	HK\$'000	A\$'000	A\$'000
Turnover:				
Value of construction/installation work performed	76,876	91,796	17,791	18,123
Sale of goods	548	16,920	127	3,341
	77,424	108,716	17,918	21,464
Interest income	82	3,859	20	762
Proceeds on sale of scrap materials	2	184	–	36
Arbitration award, net	–	6,271	–	1,238
Others	846	376	195	74
	930	10,690	215	2,110
Total revenue for the year	78,354	119,406	18,133	23,574

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Auditors' remuneration	600	634	139	125
Depreciation:				
Owned assets	2,346	2,428	542	480
Leased assets	430	467	100	92
Less: depreciation capitalised into contract work in progress	(231)	(237)	(54)	(47)
Net depreciation charges	2,545	2,658	588	525
Redundancy costs	–	6,691	–	1,321
Staff costs (excluding directors' remuneration (note 7)):				
Wages and salaries	17,240	37,697	3,990	7,443
Pension contributions (note)	401	327	93	65
Less: staff costs capitalised into contract work in progress	(1,596)	(4,891)	(369)	(966)
	16,045	33,133	3,714	6,542
Operating lease rentals in respect of land and buildings	266	391	61	77
Provision for legal claims	1,300	4,500	301	888
Provision for winding down of operations	–	20,000	–	3,948
Provision for impairment in value of land and buildings	4,410	–	1,021	–
Provision for slow-moving inventories	1,651	–	382	–
Foreign currency losses, net	361	2,778	83	549
Fixed assets written off	36	37	8	7
Bank interest income	(82)	(513)	(20)	(101)
Other interest income	–	(3,346)	–	(661)
Arbitration award, net	–	(6,271)	–	(1,238)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

5. LOSS FROM OPERATING ACTIVITIES (Continued)

Note:

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees in Hong Kong. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

In addition, pursuant to the government regulations in Mainland China, the Group is required to contribute an amount based on 25.5% of the wages for the year of those workers in Mainland China. The local municipal government undertakes to assume the retirement benefit obligations of those workers of the Group. Contributions to these retirement benefit schemes are charged to the profit and loss account as and when incurred.

6. FINANCE COSTS

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	29,446	24,833	6,814	4,903
Interest on finance leases	78	78	18	15
Total finance costs	29,524	24,911	6,832	4,918
Less: interest capitalised into contract work in progress	(503)	(1,528)	(116)	(301)
Net finance cost	29,021	23,383	6,716	4,617

7. DIRECTORS' REMUNERATION

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Directors' fees:				
Executive	—	—	—	—
Independent non-executive	75	30	17	6
Executive directors:				
Salaries and other emoluments	1,895	3,191	439	630
Bonuses	—	1,056	—	208
	1,970	4,277	456	844

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

7. DIRECTORS' REMUNERATION (Continued)

The remuneration of the directors fell within the following bands:

	2000 Number of directors	1999 Number of directors
Nil – HK\$1,000,000	11	9
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	1

The remuneration of the directors fell within the following bands:

	2000 Number of directors	1999 Number of directors
Nil – A\$231,000	11	9
A\$347,001 – A\$463,000	1	1
A\$579,001 – A\$694,000	–	1

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included one (1999: two) director, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining four (1999: three) highest paid employees are set out below:

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Salaries, allowances and benefits in kind	3,459	3,080	801	608
Bonuses	–	702	–	139
	3,459	3,782	801	747

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

8. FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the remaining four (1999: three) highest paid employees fell within the following bands:

	2000 Number of employees	1999 Number of employees
Nil – HK\$1,000,000	3	–
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	–	1

The remuneration of the remaining four (1999: three) highest paid employees fell within the following bands:

	2000 Number of employees	1999 Number of employees
Nil – A\$231,000	3	–
A\$231,001 – A\$347,000	1	2
A\$347,001 – A\$463,000	–	1

9. TAX

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Provisions for the year:				
Hong Kong profits tax	12	55	3	11
Mainland China corporate income tax	12	471	3	92
Deferred tax – note 24	(430)	–	(100)	–
	(406)	526	(94)	103
Less: Overprovision in prior years	(2,250)	(473)	(520)	(93)
Tax charge/(credit) for the year	(2,656)	53	(614)	10

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

Tax in Mainland China represents corporate income tax which is provided on profits from operations deemed to arise in Mainland China at 33%.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$202,758,000 (A\$46,924,000) (1999: loss of HK\$275,369,000 (A\$54,367,000)), which is mainly represented by a write-back of provision for corporate guarantees in respect of bank facilities utilised by a subsidiary.

11. LOSS PER SHARE

The calculation of loss per share is based on the net loss from ordinary activities attributable to shareholders of the Company of HK\$81,511,000 (A\$18,865,000) (1999: HK\$332,317,000 (A\$65,610,000)) and on 84,218,010 shares of HK\$1 (A\$0.23) each in issue during the year.

There is no dilutive effect on the basic loss per share for the years ended 31 December 2000 and 1999.

12. FIXED ASSETS

Group	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Office furniture and equipment HK\$'000	Plant and equipment HK\$'000	*Motor vehicles HK\$'000	Total HK\$'000
At cost:						
At beginning of year	44,535	7,678	4,447	3,020	2,503	62,183
Additions	–	–	570	2	218	790
Disposals	–	(28)	(375)	(550)	(163)	(1,116)
Write-off	–	(5,117)	(2,115)	(565)	–	(7,797)
Provisions for impairment in values						
– reclassified from provision for winding down of operations	(13,691)	–	–	–	–	(13,691)
– provided during the year	(4,410)	–	–	–	–	(4,410)
Exchange realignments	8	5	3	8	2	26
At 31 December 2000	26,442	2,538	2,530	1,915	2,560	35,985
Accumulated depreciation:						
At beginning of year	5,016	6,646	3,323	2,246	1,956	19,187
Provided during the year	1,010	340	690	245	491	2,776
Disposals	–	(28)	(375)	(548)	(152)	(1,103)
Write-off	–	(5,117)	(2,079)	(565)	–	(7,761)
Exchange realignments	1	2	2	5	2	12
At 31 December 2000	6,027	1,843	1,561	1,383	2,297	13,111
Net book value:						
At 31 December 2000	20,415	695	969	532	263	22,874
At 31 December 1999	39,519	1,032	1,124	774	547	42,996

* Included assets held under finance leases.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

12. FIXED ASSETS (Continued)

Group	Leasehold land and buildings A\$'000	Leasehold improvements A\$'000	Office furniture and equipment A\$'000	Plant and equipment A\$'000	*Motor vehicles A\$'000	Total A\$'000
At cost:						
At beginning of year	8,793	1,516	878	597	494	12,278
Additions	–	–	132	–	51	183
Disposals	–	(7)	(87)	(127)	(38)	(259)
Write-off	–	(1,184)	(489)	(131)	–	(1,804)
Provisions for impairment in values						
– reclassified from provision						
for winding down of operations	(3,168)	–	–	–	–	(3,168)
– provided during the year	(1,021)	–	–	–	–	(1,021)
Exchange realignments	1,515	262	151	104	86	2,118
At 31 December 2000	6,119	587	585	443	593	8,327
Accumulated depreciation:						
At beginning of year	990	1,312	656	444	387	3,789
Provided during the year	233	79	160	56	114	642
Disposals	–	(7)	(87)	(127)	(35)	(256)
Write-off	–	(1,184)	(481)	(131)	–	(1,796)
Exchange realignments	171	226	113	77	67	654
At 31 December 2000	1,394	426	361	319	533	3,033
Net book value:						
At 31 December 2000	4,725	161	224	124	60	5,294
At 31 December 1999	7,803	204	222	153	107	8,489

* Included assets held under finance leases.

The above note should be read in conjunction with the accompanying notes with specific reference to the accounting policy on the translation of financial statements from Hong Kong dollars to Australian dollars.

The fixed assets have been presented above with exchange differences arising from translation taken directly to exchange realignments.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

12. FIXED ASSETS (Continued)

The net book value of the Group's land and buildings is analysed as follows:

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Long term leases in Hong Kong	2,400	6,247	555	1,233
Medium term leases in Hong Kong	13,100	26,244	3,032	5,182
Medium term leases in Mainland China	3,420	5,381	792	1,063
Short term leases in Mainland China	1,495	1,647	346	325
	20,415	39,519	4,725	7,803

The net book value of assets held under finance leases at the balance sheet date is as follows:

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Motor vehicles	–	405	–	80

13. INTERESTS IN SUBSIDIARIES

Company

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Unlisted investments, at cost	37,660	37,660	8,716	7,435
Less: Provisions for permanent diminutions in values	(37,660)	(37,660)	(8,716)	(7,435)
	–	–	–	–
Due from subsidiaries	73,643	83,351	17,043	16,456
Due to subsidiaries	(268)	(314)	(62)	(62)
	73,375	83,037	16,981	16,394
Less: Provisions against amounts due from subsidiaries	(73,643)	(82,281)	(17,043)	(16,245)
	(268)	756	(62)	149
	(268)	756	(62)	149

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

13. INTERESTS IN SUBSIDIARIES (Continued)

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage of equity interest held by		Principal activities
			Company %	Group %	
Buildcon Building Supplies Limited	Hong Kong	Ordinary HK\$10,000	—	65	Dormant
Dynasty International Industries Limited	Hong Kong	Ordinary HK\$2	50	100	Wholesale supplies of kitchen cabinets and sanitary-ware
Eastop International Investments Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Investment holding
Fenella Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Property holding
Fordstar Development Ltd.	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Property holding
Full Arts Metal Works Limited	Hong Kong	Ordinary HK\$10,000,000	—	100	Design, supply and installation of curtain walls and aluminum windows

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Issued and paid-up share capital/ registered capital	Percentage of equity interest held by		Principal activities
			Company %	Group %	
Golden Pacific Management Limited	British Virgin Islands/ Hong Kong	Ordinary US\$50,000	100	100	Investment holding
Modern Concord Development Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Agency services
Netley Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Property holding
Polytech Development Limited	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$9,000	100	100	Investment holding
Renaissance Building Supplies Limited	Hong Kong	Ordinary HK\$2	100	100	Trading of sanitary-ware
Salisbury Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	—	100	Property holding
Shanghai Full Arts Curtain Wall Engineering Co., Ltd. (note)	Mainland China	US\$1,000,000	—	60	Design, supply and installation of curtain walls and aluminum windows
Visionaire Enterprises Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	100	100	Investment holding

Note: This is a sino-foreign equity joint venture registered in Mainland China.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

14. INVENTORIES

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Raw materials	–	348	–	68
Finished goods	–	1,681	–	333
	–	2,029	–	401

The carrying amount of inventories carried at net realisable value at 31 December 1999 included in the above was HK\$1,681,000 (A\$333,000).

15. CONSTRUCTION/INSTALLATION CONTRACT RECEIVABLES

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Amounts due from contract customers	5,045	47,163	1,167	9,312
Contract costs incurred plus recognised profits less recognised losses to date	100,569	357,383	23,274	70,559
Less: progress billings	(95,524)	(310,220)	(22,107)	(61,247)
	5,045	47,163	1,167	9,312

At 31 December 2000, retentions held by customers for contract works, as included in trade receivables, amounted to HK\$9,847,000 (A\$2,279,000) (1999: HK\$38,689,000 (A\$7,638,000)).

16. TRADE RECEIVABLES

The Group's average credit term to trade debtors is 30 days. The aging analysis of the Group's trade receivables as at the balance sheet date is as follows:

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Current to 90 days	6,235	5,250	1,443	1,037
91 days to 180 days	–	2,021	–	399
181 days to 365 days	3,439	44,977	796	8,879
Over 365 days	8,999	3,673	2,082	725
	18,673	55,921	4,321	11,040

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

17. DUE FROM MINORITY SHAREHOLDER OF A SUBSIDIARY

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Due from minority shareholder of a subsidiary	2,523	2,523	584	498
Less: provision against amount due from minority shareholder of a subsidiary reclassified from provision for winding down of operations	(2,523)	—	(584)	—
	—	2,523	—	498

The balance with minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

18. DUE FROM FELLOW SUBSIDIARIES

The amounts were unsecured, interest-free and were waived by the Group subsequent to the balance sheet date as detailed in note 1 to the financial statements.

19. LEASE PAYABLES

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Obligations in respect of finance leases	153	772	36	152
Portion due within one year classified as current liabilities	(153)	(619)	(36)	(122)
Long term portion	—	153	—	30
Lease payables are repayable within a period of:				
Not exceeding one year	153	619	36	122
More than one year, but not exceeding two years	—	153	—	30
	153	772	36	152

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

20. TRADE PAYABLES

The aging analysis of the Group's trade payables as at the balance sheet date is as follows:

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Current to 90 days	6,150	20,737	1,423	4,094
91 days to 180 days	1,198	7,338	277	1,449
181 days to 365 days	5,208	1,220	1,205	241
1 year to 2 years	6,417	596	1,485	118
Over 2 years	582	1,056	135	208
	19,555	30,947	4,525	6,110

21. DUE TO AN INTERMEDIATE HOLDING COMPANY

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Interest-bearing:				
Secured	7,904	—	1,829	—
Unsecured	275,588	71,513	63,779	14,119
	283,492	71,513	65,608	14,119
Interest-free	39,777	26,250	9,205	5,183
	323,269	97,763	74,813	19,302

The interest-bearing portion of amount due to an intermediate holding company bore interest ranging from United States prime rate per annum to 2% above Hong Kong prime rate per annum.

Certain of the Group's leasehold land and buildings with an aggregate net book value of HK\$5,400,000 (A\$1,250,000) were pledged to secure the borrowing.

Subsequent to the balance sheet date, the amount was waived as further explained in note 1 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

22. DUE TO FELLOW SUBSIDIARIES

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Interest-bearing:				
Secured	2,585	2,585	598	510
Unsecured	25,200	9,200	5,832	1,816
	27,785	11,785	6,430	2,326
Interest-free amount	2,700	178	625	35
	30,485	11,963	7,055	2,361

The interest-bearing portion of amounts due to fellow subsidiaries bore interest ranging from 1.5% above The Hongkong and Shanghai Banking Corporation Limited's best lending rate per annum to 2% above Hong Kong prime rate per annum.

Certain of the Group's leasehold land and buildings with an aggregate net book value of HK\$2,800,000 (A\$648,000) were pledged to secure the borrowings.

Subsequent to the balance sheet date, except for an amount of HK\$1,000,000 (A\$231,000) due to a fellow subsidiary, the remaining amounts were waived as detailed in note 1 to the financial statements.

23. BANK LOANS AND OVERDRAFTS

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Bank overdrafts, unsecured	–	15,433	–	3,047
Bank loans, unsecured	–	128,748	–	25,419
Bank loans, secured	–	7,904	–	1,561
Trust receipts loans	–	56,894	–	11,233
	–	208,979	–	41,260

As detailed in note 1 to the financial statements, the restructuring of GDI and its subsidiaries, which included the Group, was completed on 22 December 2000. Pursuant to the restructuring, certain bank loans of the Group in an aggregate amount of approximately HK\$185 million (A\$43 million) became direct indebtedness of GDI as at 22 December 2000. The remaining bank loans of the Group of approximately HK\$24 million (A\$6 million) were also assigned to GDI during the year.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

24. DEFERRED TAX

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
At beginning of year	430	430	85	91
Exchange realignment	–	–	15	(6)
Credit for the year - note 9	(430)	–	(100)	–
At 31 December	–	430	–	85

At the balance sheet date, there were no significant potential deferred tax liabilities.

25. SHARE CAPITAL

Company

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Authorised:				
150,000,000 ordinary shares of HK\$1 each	150,000	150,000	34,714	29,615
Issued and fully paid:				
84,218,010 ordinary shares of HK\$1 each	84,218	84,218	19,490	16,627

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

26. RESERVES

Group

	Share premium account HK\$'000	Reserve funds (note) HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 1999	41,934	228	(918)	(53,252)	(12,008)
Net loss for the year	—	—	—	(332,317)	(332,317)
Exchange adjustment	—	—	20	—	20
Transfer	—	8	—	(8)	—
At 31 December 1999 and 1 January 2000	41,934	236	(898)	(385,577)	(344,305)
Net loss for the year	—	—	—	(81,511)	(81,511)
Exchange adjustment	—	—	82	—	82
Transfer	—	33	—	(33)	—
At 31 December 2000	41,934	269	(816)	(467,121)	(425,734)

Group

	Share premium account A\$'000	Reserve funds (note) A\$'000	Exchange fluctuation reserve A\$'000	Accumulated losses A\$'000	Total A\$'000
At 1 January 1999	8,865	48	(194)	(11,258)	(2,539)
Exchange realignments	(586)	(3)	12	745	168
Net loss for the year	—	—	—	(65,610)	(65,610)
Exchange adjustment	—	—	4	—	4
Transfer	—	2	—	(2)	—
At 31 December 1999 and 1 January 2000	8,279	47	(178)	(76,125)	(67,977)
Exchange realignments	1,426	7	(30)	(13,108)	(11,705)
Net loss for the year	—	—	—	(18,865)	(18,865)
Exchange adjustment	—	—	19	—	19
Transfer	—	8	—	(8)	—
At 31 December 2000	9,705	62	(189)	(108,106)	(98,528)

Note: Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Company's subsidiary established in Mainland China has been transferred to reserve funds which are restricted as to use.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

26. RESERVES (Continued)

Company

	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 1999	41,934	(53,942)	(12,008)
Net loss for the year	—	(275,369)	(275,369)
At 31 December 1999 and 1 January 2000	41,934	(329,311)	(287,377)
Net profit for the year	—	202,758	202,758
At 31 December 2000	41,934	(126,553)	(84,619)

Company

	Share premium account A\$'000	Accumulated losses A\$'000	Total A\$'000
At 1 January 1999	8,865	(11,404)	(2,539)
Exchange realignments	(586)	754	168
Net loss for the year	—	(54,367)	(54,367)
At 31 December 1999 and 1 January 2000	8,279	(65,017)	(56,738)
Exchange realignments	1,426	(11,195)	(9,769)
Net profit for the year	—	46,924	46,924
At 31 December 2000	9,705	(29,288)	(19,583)

The above note should be read in conjunction with the accompanying notes with specific reference to the accounting policy on the translation of financial statements from Hong Kong dollars to Australian dollars.

Reserves have been presented above with exchange differences arising from translation taken directly to exchange realignments.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to the net cash outflow from operating activities

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Loss from operating activities	(53,379)	(308,771)	(12,354)	(60,961)
Interest income	(82)	(3,859)	(20)	(762)
Depreciation	2,545	2,658	588	525
Fixed assets written off	36	37	8	7
Provisions for impairment in value				
of land and buildings	4,410	—	1,021	—
Provision for legal claims	1,300	4,500	301	888
Provision for winding down of operations	—	20,000	—	3,948
Provision for doubtful debts	18,684	103,801	4,324	20,494
Provision against contract work in progress	5,918	130,755	1,370	25,815
Provision for slow-moving inventories	1,651	—	382	—
Changes in assets and liabilities:				
Trade receivables	18,564	22,532	4,296	4,448
Construction/installation contracts receivables	32,534	(2,758)	7,530	(545)
Inventories	378	4,614	88	911
Prepayments, deposits and other receivables	(537)	3,806	(124)	751
Amounts due from fellow subsidiaries	247	1,188	57	235
Amounts due from related companies	—	45	—	9
Trade payables, other payables and accruals	(33,779)	17,217	(7,816)	3,399
Bills payable	—	(5,028)	—	(992)
Trust receipts loans	—	(4,654)	—	(919)
Amount due to minority shareholder of a subsidiary	—	(2,752)	—	(543)
Amounts due to fellow subsidiaries	—	(111)	—	(22)
Amount due to an intermediate holding company	—	(652)	—	(129)
Net cash outflow from operating activities	(1,510)	(17,432)	(349)	(3,443)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Bank loans HK\$'000	Lease payables HK\$'000	Due to an intermediate holding company HK\$'000	Due to fellow subsidiaries HK\$'000	Minority interests HK\$'000
Balance at 1 January 1999	167,213	1,101	54,040	2,649	862
Net cash inflows/ (outflows) from financing	(30,561)	(329)	43,723	8,314	3,110
Share of profit for the year	–	–	–	–	110
Balance at 31 December 1999 and 1 January 2000	136,652	772	97,763	10,963	4,082
Net cash inflows/ (outflows) from financing	–	(619)	31,960	18,522	–
Bank loans assumed by an intermediate holding company	(136,652)	–	193,546	–	–
Share of profit for the year	–	–	–	–	6
Receivable from minority interests written off	–	–	–	–	1,761
Dividend paid to minority interests	–	–	–	–	(122)
Balance at 31 December 2000	–	153	323,269	29,485	5,727
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Balance at 1 January 1999	33,013	217	10,669	523	171
Net cash inflows/ (outflows) from financing	(6,033)	(65)	8,633	1,641	614
Share of profit for the year	–	–	–	–	22
Balance at 31 December 1999	26,980	152	19,302	2,164	807
Exchange realignments	4,645	27	3,323	373	137
Balance at 1 January 2000	31,625	179	22,625	2,537	944
Net cash inflows/(outflows) from financing	–	(143)	7,396	4,286	–
Bank loans assumed by an intermediate holding company	(31,625)	–	44,792	–	–
Share of profit for the year	–	–	–	–	1
Receivable from minority interests written off	–	–	–	–	408
Dividend paid to minority interests	–	–	–	–	(27)
Balance at 31 December 2000	–	36	74,813	6,823	1,326

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Major non-cash transactions

Pursuant to the GDI restructuring as detailed in note 1 to the financial statements, certain bank loans of the Group of approximately HK\$185 million (A\$42.8 million), including bank overdrafts of approximately HK\$15 million (A\$3.5 million), became direct indebtedness of GDI as at 22 December 2000. The remaining bank loans of the Group of approximately HK\$24 million (A\$5.5 million) were also assigned to GDI during the year.

28. COMMITMENTS

Annual commitments under non-cancellable operating leases in respect of land and buildings payable by the Group in the following year were as follows:

Group

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Leases expiring within:				
One year	–	213	–	42

29. CONTINGENT LIABILITIES

(i) At the balance sheet date, the Company had the following material contingent liabilities:

	2000 HK\$'000	1999 HK\$'000	2000 A\$'000	1999 A\$'000
Guarantees given to banks in respect of performance bonds issued by the banks for a subsidiary	19,819	19,819	4,587	3,913

As further explained in note 1 to the financial statements, GDI has assumed the Company's contingent liability above pursuant to the Agreement on 3 March 2001.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

29. CONTINGENT LIABILITIES (Continued)

- (ii) Full Arts, a wholly-owned subsidiary of the Company, had terminated a sub-contract for the alleged non-performance of a sub-contractor (the "Sub-contractor") responsible for the design, supply and installation of granite products for a project in Mainland China during 1997. Full Arts then commenced proceedings against the Sub-contractor claiming approximately HK\$34,000,000 (A\$7,869,000) as damages for the alleged non-performance of the sub-contract by the Sub-contractor in 1997.

The Sub-contractor also commenced proceedings against Full Arts, claiming approximately HK\$25,000,000 (A\$5,786,000) for the alleged non-payment of monies due under the sub-contract and for the costs of the alleged extra supply of materials in 1997. Both actions were consolidated by an Order of the Court in 1997.

The proceedings have reached the stage of discovery and the respective parties had exchanged their list of documents and mutually inspected the documents in 1999. During the year, the Sub-contractor was liquidated. The directors are considering taking proceedings against the second defendant, who was a then director of the Sub-contractor acting as the guarantor. As at the balance sheet date, the directors and their legal advisers are of the opinion that the litigation is at its early stage and it is premature to give any reliable indication as to the likely outcome on conclusion, and because the directors do not believe it is probable that any material loss will be suffered by the Group, no provision has been made in these financial statements on account of damages claimed by the now liquidated Sub-contractor.

- (iii) A material supplier for a project in Mainland China commenced proceedings against Full Arts in 1997, claiming approximately HK\$5,506,000 (A\$1,274,000) for an unsettled sum in respect of the alleged supply of materials to this project.

Based on legal advice, provision has been made by the directors in these financial statements against the alleged claim and the estimated legal costs up to the balance sheet date.

- (iv) Full Arts commenced proceedings against a sub-contractor claiming damages for alleged non-performance of a sub-contract in 1999. The sub-contractor then commenced proceedings against Full Arts counter-claiming approximately HK\$10,033,000 (A\$2,322,000) as damages for breach of contract in 1999.

The proceedings have now reached the stage of discovery. Both parties are exploring the possibility of consolidating these two actions. Based on legal advice, the directors are of the opinion that it is premature to give any indication as to the likely outcome on conclusion, and hence no provision has been made in these financial statements on account of damages claimed.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

29. CONTINGENT LIABILITIES (Continued)

- (v) Full Arts terminated a sub-contract for alleged non-performance of a sub-contractor responsible for glass fabrication and installation for a project in Hong Kong in 1999. Full Arts commenced proceedings against the sub-contractor claiming approximately HK\$16,500,000 (A\$3,819,000) as damages for the alleged non-performance by the sub-contractor and the amount over-paid by Full Arts in 1999. The sub-contractor commenced proceedings against Full Arts in 1999, claiming approximately HK\$4,800,000 (A\$1,111,000) against Full Arts for the alleged non-payment of monies due under the sub-contract and loss of profit.

Based on legal advice, the directors are of the opinion that it is premature to give any reliable indication as to the likely outcome on conclusion and, hence no provision has been made in these financial statements on account of damages claimed by the sub-contractor.

- (vi) A main contractor and an employer commenced proceedings against Full Arts claiming damages for alleged non-performance of a sub-contract in 2000. As at the date of approval of these financial statements, Full Arts intends to file defense and proceed against the main contractor counter-claiming for the unsettled sum of approximately HK\$28,000,000 (A\$6,480,000).

Based on the legal advice, the directors are of the opinion that it is premature to give any indication as to the likely outcome on conclusion and, hence no provision has been made in these financial statements on account of damages claimed.

30. PLEDGE OF ASSETS

At 31 December 2000, certain of the Group's leasehold land and buildings with an aggregate net book value of HK\$8,200,000 (A\$1,898,000) (1999: HK\$17,762,000 (A\$3,507,000)) were pledged to secure certain amounts due to GDI and a fellow subsidiary.

31. CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

Listed below are connected transactions disclosed in accordance with Chapter 14 of the Hong Kong Listing Rules and related party transactions disclosed in accordance with the Statement of Standard Accounting Practice 2.120 "Related Party Disclosures" issued by the Hong Kong Society of Accountants. Each of the following connected transactions is also a related party transaction.

- (i) Unsecured loans were obtained from GDI in the aggregate amount of HK\$74,513,000 (A\$17,244,000) (1999: HK\$71,513,000 (A\$14,119,000)) at the balance sheet date. The loans bore interest ranging from United States dollar prime rate to 2% above Hong Kong dollar prime rate per annum. Interest for the year in respect of these loans was HK\$6,659,000 (A\$1,541,000) (1999: HK\$5,978,000 (A\$1,181,000)).
- (ii) An amount of HK\$240,000 (A\$56,000) (1999: HK\$377,000 (A\$74,000)) was charged by GDI to the Company for GDI's provision of accounting and company secretarial services to the Group for the year.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

31. CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS (Continued)

- (iii) A loan amounting to HK\$1,000,000 (A\$231,000) which was granted in 1995 by Guangdong Finance Co., Limited, a then subsidiary of GDI, to Buildcon Building Industries Limited ("Buildcon"), a non-wholly owned subsidiary of the Company, remained outstanding at the balance sheet date. The loan is secured by a joint and several guarantee from Mr. Kong Lai Chau, a director of Buildcon, and Mr. Tsui Wai Hung Paul, an ex-director of Buildcon and the Company. The loan bears interest at 2% above Hong Kong prime rate and is repayable on demand. Interest for the year in respect of this loan was HK\$112,000 (A\$26,000) (1999: HK\$105,000 (A\$21,000)).
- (iv) A loan agreement dated 25 March 1997 ("Loan Agreement") was entered into between Yue Sheng Finance Limited ("YSF"), a subsidiary of GDI, and Full Arts, whereby a term loan facility for HK\$3,244,000 (A\$751,000) was made available to Full Arts at an interest rate of 1.5% per annum above The Hongkong and Shanghai Banking Corporation Limited's best lending rate (the "Facility"). Under the Loan Agreement:
- (a) the term of the Facility was seven years, starting from the date of drawdown, which was 27 March 1997;
 - (b) Full Arts would repay the Facility by 84 monthly instalments;
 - (c) the purpose of the Facility was for the partial funding of the purchase price for the acquisition of real estate property located in Beijing (the "Property") by Full Arts; and
 - (d) the Facility was secured by a mortgage of all of Full Arts' interests in the Property.
- As at 31 December 2000, the Property had a net book value of HK\$2,800,000 (A\$648,000). A principal amount of HK\$2,585,000 (A\$598,000) remained outstanding as at 31 December 2000. Interest for the year in respect of this loan was HK\$278,000 (A\$64,000).
- (v) Unsecured loans were obtained from YSF in the aggregate amount of HK\$24,200,000 (A\$5,601,000) (1999: HK\$8,200,000 (A\$1,619,000)) at the balance sheet date. The loans bore interest at 2% above Hong Kong dollar prime rate per annum. Interest for the year in respect of these loans was HK\$2,221,000 (A\$514,000) (1999: HK\$71,000 (A\$14,000)).
- (vi) As further detailed in note 1 to the financial statements, pursuant to the restructuring of the GDI Group, certain bank loans of the Group of approximately HK\$185 million (A\$43 million) became direct indebtedness of GDI on 22 December 2000. The remaining bank loans of the Group of approximately HK\$24 million (A\$6 million) were also assigned to GDI during the year.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2000

32. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (i) As further detailed in note 1 to the financial statements, subsequent to the balance sheet date, on 10 February 2001, GDI entered into a conditional sale and purchase agreement (the "Agreement") with Hi Sun Limited ("Hi Sun"), an independent third party, to dispose of its entire holding of 48,138,892 shares in the capital of the Company (representing 57.16% of the Company's issued share capital) to Hi Sun. Pursuant to the Agreement, the GDI Group also agreed to waive the net balances owed by the Group to the GDI Group of approximately HK\$358 million (A\$92 million) outstanding at 3 March 2001. Pursuant to the Agreement, GDI also agreed to assume a contingent liability of the Group of approximately HK\$20 million (A\$5 million) as at 22 December 2000. The Agreement was completed on 3 March 2001 and Hi Sun has since become the Company's ultimate holding company.
- (ii) On 3 March 2001, the Company disposed of Eastop International Investments Limited, which is the holding company of Buildcon Building Supplies Limited, to a subsidiary of GDH Limited for a cash consideration of US\$1, which resulted in a gain on disposal of approximately HK\$1 million (A\$0.3 million).

33. COMPARATIVE AMOUNTS

As explained in note 1 to the financial statements, comparative amounts (which were previously presented to reflect a winding down scenario) have been reclassified to conform with the current year's presentation on a going concern basis. In particular, adjustments have been made to the 1999 comparative amounts to reclassify the results attributable to Full Arts Group under continuing operations in the consolidated profit and loss account.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 30 March 2001.