The word 'GOLIK' is rendered in a large, bold, sans-serif font. The letters are a light gray color. A white grid of thin lines is overlaid on the text, with vertical lines passing through the centers of the 'G', 'O', 'L', 'I', and 'K', and horizontal lines passing through the top and bottom of the letters. The background is a solid light gray.

GOLIK

GOLIK HOLDINGS LIMITED

ANNUAL
REPORT
2002

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Corporate Information

Executive Directors

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

Independent Non-Executive Directors

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

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA FAIA AHKSA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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

Auditors

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

Principal Bankers

China Construction Bank, Hong Kong Branch
CITIC Ka Wah Bank Limited
Dao Heng Bank Limited
Hamburgische Landesbank
-Girozentrale-Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
Ground Floor
BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Investor and Media Relations

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

Business Profile



*Tianjin Golik – The First
PC Steel Strand Co.,
Limited*

*Tianjin Golik – No.1 Steel
Wire Rope Co., Limited*



*Guangdong Water
Concrete Company
Limited*

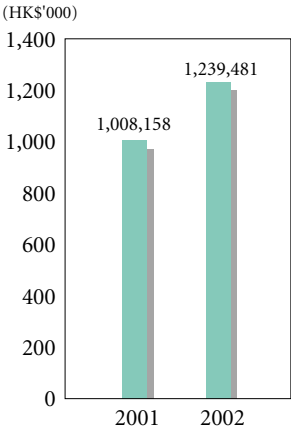
*Precast Concrete Pipe of
Golik Concrete Limited
(formerly known as
“Dyna Concrete
Limited”)*



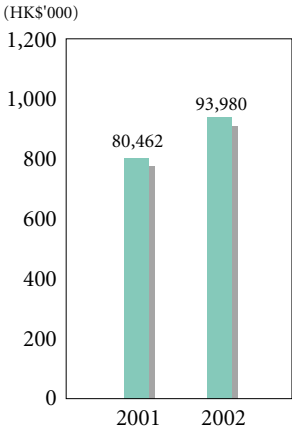
*Cold Rolled Steel at
Fulwealth Metal Factory
Limited*

Chairman's Statement

Turnover for the years ended 31st December 2001 and 2002



Profit from operations for the years ended 31st December 2001 and 2002

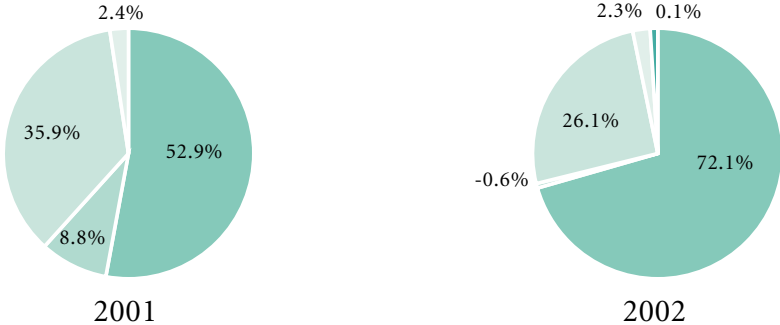


Turnover by products in 2001 and 2002



- Manufacturing of Steel and Metal Products
- Trading of Steel and Metal Products
- Manufacturing of Construction Materials
- Trading of Construction Materials
- Others

Profit Segment Result by products in 2001 and 2002



- Manufacturing of Steel and Metal Products
- Trading of Steel and Metal Products
- Manufacturing of Construction Materials
- Trading of Construction Materials
- Others

Chairman's Statement



The Group has adhered to the strategy “Facing the Mainland, focusing in high value-added products and relying less on building construction” in business restructuring.....

I am pleased to present the annual results of Golik Holdings Limited (“the Company”) and its subsidiaries (“the Group”) for the year ended 31st December, 2002.

BUSINESS REVIEW

With the dedicated effort of the management and staff, there is steady growth both in sales and operations profit for the year 2002.

For the year under review, the Group has adhered to the strategy “Facing the Mainland, focusing in high value-added products and relying less on building construction” in business restructuring and successfully transformed into an Industrial Specialist both in High Value-Added Steel Products and Construction Materials Manufacturer.

Steel and Metal Products

1. Steel Coil Processing

Decoiling business has been the constant profit generator for the Group in the past few years. During the year, due to great effort of the management coupled with the synergy effect created between the new factory in Taipo, Hong Kong and that in Dongguan, Guangdong, the operation made significant advance in the profit contribution.

In the meantime, apart from the capacity enlargement in the factory in Dongguan, Guangdong, the Group is going to set up a steel coil color coating factory in Changzhou, Jiangsu. The 70,000 tons annual capacity coating plant is now under equipment installation and will start test run in the second half of 2003. Color coated steel coils are widely used in building construction, home electrical appliances, cars and other industries.

Chairman's Statement

2. *Steel Wires and Strands*

The steel wire rope factory in Heshan, Guangdong and the elevator rope factory in Tianjin are both with stable performances. In the past year, due to raw materials prices were increased while the finished products prices lowered, the overall profit contributions were decreased. However, the management has already formulated some ways in up-keeping the gross margins and look forward to have more satisfactory results in the coming years.

In view of the tremendous economic growth of the Mainland China and in line with the anticipated construction bloom of the 2008 Beijing Olympics in Northern China, in September of 2002, the Group has set up a joint venture company with Tianjin Steel Wire and Steel Cable Group in manufacturing of low relaxation PC steel strands which are widely used in the construction of district skyover, river bridge, dam, nuclear factory, various stadiums, etc. Beside the existing equipments, a newly added production line with production capacity 70,000 tons would also complete installation, start production in March 2003 and should bring forth profit in 2003.

Construction Materials Products

Private and public housing building markets have significantly reduced in 2002. In respect thereof, performance of this area is not satisfactory.

1. *Steel Re-bars stockholding and Distribution*

The Group has further consolidated her position in the trading, stockholding and distributing of steel re-bars which is widely used in the Hong Kong construction industry. Although the general industrial environment has improved in the second half of 2002, profitability is not satisfactory due to deliveries based on contracts mainly concluded during price-cutting period earlier. Nevertheless, this problem is expected to vanish in 2003 and the operation will have better performance.

2. *Concrete and Concrete Products*

Ready Mixed Concrete and Precast Concrete products were the focus of the Group's restructuring in the past year. In the second half of 2002, we successfully tendered the ready mixed concrete factory site in Lantau Island and have erected a plant with annual capacity of 200,000 cubic meters. The plant will start production in the second half of 2003.

In November 2002, the Group acquired a ready mixed concrete factory with 400,000 cubic meters annual capacity in Guangzhou, Guangdong to further increase the participation in the Mainland China construction materials market.

As the Group has just devoted effort in this area and estimated it would take one or two years for establishing a firm market position, in doing so satisfactory return will be achieved soon.

3. *Other Construction Materials*

Semi-Precast Concrete Slab "Super Slab" which produced by Daido Group, is in the market development stage. On the other hand, ALC products and welded wire mesh, which were mature products, kept generating stable profits in the past year. The Group believes that further enforcement of effective control on costs, these operations will continue to be profit contributors to the Group.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. As at 31st December, 2002, the Group's cash and bank balances reached HK\$121,000,000. As at 31st December, 2002, current ratio (current assets to current liabilities) for the Group was 1:1.29, maintaining the level of 2001. As at 31st December, 2002, interest-bearing borrowings for the Group was approximately HK\$510,000,000.

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

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31st December, 2002, shareholders' equity reached HK\$428,000,000.

As at 31st December, 2002, net gearing ratio (interest-bearing borrowings minus cash and bank balances to shareholders' equity and minority shareholders' interest) was 0.67.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2002, the total number of staff of the Group in Hong Kong and the PRC was 1,401. The Group also provided Mandatory Provision Fund entitlement to Hong Kong's employees.

PROSPECTS

With the Hong Kong economy still in great uncertainties, the Group will gradually strengthen its development in industrial raw materials and construction materials manufacturing. Further, the Group will reduce part of its business operation that was adversely affected by the shrinking Hong Kong private and public housing construction markets and to allocate its resources to areas with good prospects. Indeed, the new ventures cannot generate immediate significant contributions, however, with the current organizational structure, direction and the dedication of the management, the Group is confident that the return to our shareholders will be increased in the years to come.

Chairman's Statement

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my sincere thanks to the staff of the Group for their dedication and hard work in the past. I would also like to thank our customers, shareholders, bankers and business associates for their continued support during the year. With the encouraging result last year and the effort we put in, I am looking forward to a fruitful year in 2003.

Pang Tak Chung
Chairman

Hong Kong, 16th April, 2003



Directors of the Group pictured at Golik Holdings Limited 25th Anniversary Celebration Dinner



Staff of the Group pictured in the "Po Leung Kuk Charity Walk" of 2002

Directors of the Group

Mr. Pang Tak Chung, aged 54, is the chairman of the Group and founder of Golik Metal Industrial Company Limited (“Golik Metal”). He is also the chairman of Daido Group Limited (“Daido”) and its subsidiaries (“Daido Group”). Mr. Pang is responsible for strategic planning, overall management and corporate development of both the Group and Daido Group. Mr. Pang has over 25 years’ experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 47, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Association of International Accountants in the United Kingdom, an associate member of the Hong Kong Society of Accountants, a member of the Institute of Management in the United Kingdom, a full member of the Hong Kong Computer Society, a founder and honorable president of the IT Accountants Association and the founder and honorable president of Hong Kong Association of Master of Business Administration. Mr. Ho is also an executive director of the Daido Group and has over 23 years’ experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. Robert Keith Davies, aged 46, is an executive director of the Group and Daido Group. Mr. Davies is responsible for the international trading and sales of the Group and also the management, sales and marketing of the Daido Group. Educated in England, he has worked in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trading practices, management of manufacturing plants and negotiation procedures. Mr. Davies has resided in Hong Kong for more than 18 years and joined Golik Metal in 1991.

Mr. Li Chiu Wah, Joseph, aged 45, was appointed as an independent non-executive director of the Company on 27th June, 1997. Mr. Li is a practising solicitor and a Notary Public. He was formerly a Senior Crown Counsel and has over 17 year’s legal experience both in government and in private practice. He is currently the principal of Joseph Li & Co., Solicitors and Notaries in Hong Kong. He holds a Master of Laws degree from the University of London.

Mr. Yu Kowk Kan, Stephen, aged 46, was appointed as an independent non-executive director of the Company on 23rd July, 1997. Mr. Yu is a partner of J. K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 20 years’ advisory experience on taxation in Australia, Hong Kong and the PRC.

Notice of 2003 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of the Company will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 29th May, 2003 at 10:45 a.m., for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended 31st December, 2002.
2. To declare a final dividend.
3.
 - (a) To re-elect directors and to authorise the Board of Directors to fix their remuneration.
 - (b) To authorise the Board of Directors to appoint additional directors and to fix the maximum number of directors.
4. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration.

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

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

Notice

of 2003 Annual General Meeting

6. “THAT

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

Notice

of 2003 Annual General Meeting

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

By Order of the Board

Ho Wai Yu, Sammy

Company Secretary

Hong Kong, 16th April, 2003

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect such shares shall alone be entitled to vote in respect thereof.
- (3) To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy or of such power of attorney or authority thereof must be deposited at the Company's branch share registrars in Hong Kong, Secretaries Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting.
- (4) The register of members of the Company will be closed from Monday, 26th May, 2003 to Thursday, 29th May, 2003, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Secretaries Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 23rd May, 2003.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

ADOPTION OF CHINESE NAME

Pursuant to a special resolution passed at the annual general meeting held on 7th June, 2002, “高力集團有限公司” is adopted as the Chinese name of the Company.

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2002 are set out in note 19 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 21.

The directors recommend the payment of a final dividend of 2.5 HK cents per share, amounting to approximately HK\$14,184,000 to the shareholders of the Company whose names appear on the register of members on 29th May, 2003 and the retention of the remaining profit for the year.

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$86 million.

In addition, the Group acquired property, plant and equipment with a net book value of approximately HK\$32 million through the acquisition of subsidiaries.

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

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the authorised and issued share capital and share options of the Company during the year are set out in notes 30 and 31 respectively to the financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS

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

Executive directors

Mr. Pang Tak Chung (*Chairman*)

Mr. Ho Wai Yu, Sammy (*Vice Chairman*)

Mr. Robert Keith Davies

Independent non-executive directors

Mr. Li Chiu Wah, Joseph

Mr. Yu Kwok Kan, Stephen

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

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

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

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

(1) Shares

At 31st December, 2002, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of ordinary shares held	
	Personal interest	Corporate interest
Mr. Pang Tak Chung (<i>Note</i>)	135,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	2,296,000	–
Mr. Robert Keith Davies	2,054,000	–

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

(2) Options

The directors had personal interests in share options to subscribe for shares in the Company and its subsidiary, Daido Group Limited ("Daido"), as follows:

(i) The Company

No share option was granted to or exercised by any of the Company's directors under the scheme during the year and there was no share option outstanding as at 31st December, 2002.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

(2) *Options (Continued)*

(ii) Daido

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options as at 1.1.2002 and 31.12.2002
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	50,000,000
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000

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

Details of the Share Option Schemes of the Company and Daido are set out in note 31 to the financial statements.

(3) *Shares in subsidiaries*

At 31st December, 2002, Mr. Pang Tak Chung has personal and corporate interests in 5,850 and 20,000 non-voting deferred shares respectively in Golik Metal Industrial Company Limited ("GMI"). The corporate interest is held by World Producer Limited. In addition, Mr. Ho Wai Yu, Sammy has personal interest of 440,000 shares in Daido.

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st December, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES

- (1) Daido Asia Company Limited ("DACL"), a wholly owned subsidiary of Daido, has rented from Golik Godown Limited ("GGL"), a wholly owned subsidiary of the Company, a warehouse for storage of its products. The total amount including rent and infreight charges paid to GGL by DACL for the year was approximately HK\$38,000.

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

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

- (2) Golik Metal Manufacturing Co. Limited ("GMM"), a wholly owned subsidiary of Daido, has entered into purchases and sales arrangements with Ding Cheong Limited ("Ding Cheong"), a non-wholly owned subsidiary of the Company and Golik Concrete Limited ("Golik Concrete") (formerly known as Dyna Concrete Limited), a wholly owned subsidiary of the Company respectively. The total amount paid to Ding Cheong for purchase of materials for the year was approximately HK\$2.0 million and the total amount received from Golik Concrete for sales of products for the year was approximately HK\$2.8 million.

Details of these transactions have been included in the announcement of Daido dated 13th May, 2002 ("Daido's Announcement").

The independent non-executive directors of the Company had reviewed and approved the above transactions and confirmed that such transaction had been carried out (a) in the ordinary and usual course of business of GMM, Ding Cheong and Golik Concrete; (b) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; (c) on terms no less favourable than those available to or from independent third parties; and (d) the aggregate purchase of materials by GMM from Ding Cheong and the aggregate sales of products by GMM to Golik Concrete do not exceed the limit of HK\$6 million and HK\$5 million respectively granted by the Stock Exchange as set out in Daido's Announcement.

Directors' Report

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES (Continued)

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

	<i>HK\$'000</i>
Sales of goods to Daido Group by GMI Group	167
Purchases of goods from Daido Group by GMI Group	<u>1,907</u>

- (4) As at the date of this report, the Company and its subsidiaries had provided corporate guarantees and cross guarantees to banks to secure banking facilities granted to the following non-wholly owned subsidiaries of the Company:

	<i>HK\$'000</i>
Advance Concord Development Limited	18,000
Dah Bang Printing Ink Manufactory Limited and its subsidiary	7,000
Ding Cheong Limited	3,600
Fulwealth Metal Factory Limited	253,822
Heshan Hang Kei Steel Wire Manufacturing Company Limited	25,174
Locusrite Limited	6,128
Luenik Construction Material Company Limited	15,000
The Spacers & Bar Chairs Manufacturer Company Limited	25,000
Tianjin Golik – No. 1 Steel Wire Rope Co., Limited	9,040
Tianjin Golik – The First PC Steel Strand Co., Limited	27,262
定昌(江門)五金製品有限公司	7,799
廣東水利混凝土有限公司	<u>28,251</u>

These guarantees were given in the ordinary and usual course of business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2002, the aggregate amount of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 35% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 10% of the Group's total purchases.

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

Directors' Report

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT POST BALANCE SHEET EVENTS

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

CORPORATE GOVERNANCE

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

AUDITORS

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

On behalf of the Board

Pang Tak Chung

Chairman

16th April, 2003

Auditors' Report

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 21 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

16th April, 2003

Consolidated Income Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	4	1,239,481	1,008,158
Cost of sales		<u>(993,939)</u>	<u>(845,618)</u>
Gross profit		245,542	162,540
Other operating income	5	24,029	34,410
Interest income		5,290	5,383
Selling and distribution costs		(46,986)	(32,810)
Administrative expenses	6	(129,760)	(95,484)
Amortisation of goodwill		(526)	(526)
Release of negative goodwill		413	403
Loss on disposal of property, plant and equipment		(2,522)	(352)
Revaluation decrease on investment properties		(1,500)	–
Write back of provision for claims	7	<u>–</u>	<u>6,898</u>
Profit from operations	8	93,980	80,462
Expenses for proposed investment written off	9	–	(7,161)
Finance costs	10	(19,041)	(19,810)
Loss on disposal of subsidiaries	11	<u>(4,555)</u>	<u>(34)</u>
Profit before taxation		70,384	53,457
Taxation (charge) credit	13	<u>(6,324)</u>	<u>2,521</u>
Profit after taxation		64,060	55,978
Minority interests		<u>(22,832)</u>	<u>(21,714)</u>
Net profit for the year		<u>41,228</u>	<u>34,264</u>
Dividend proposed of 2.5 HK cents (2001: 2 HK cents) per share	14	<u>14,184</u>	<u>11,347</u>
Earnings per share	15		
Basic		<u>7.27 cents</u>	<u>6.04 cents</u>
Diluted		<u>7.27 cents</u>	<u>6.00 cents</u>

Consolidated Balance Sheet

AT 31ST DECEMBER, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current Assets			
Goodwill (negative goodwill)	16	30,742	(6,147)
Investment properties	17	45,100	46,600
Property, plant and equipment	18	420,674	345,683
Interest in a jointly controlled entity	20	1,257	–
Investment in a security	21	5,000	5,000
Long-term receivables	22	5,305	1,955
Rental deposits and other assets		1,065	1,251
		<u>509,143</u>	<u>394,342</u>
Current Assets			
Inventories	23	246,438	143,164
Trade and other receivables	24	447,407	383,647
Amounts due from customers for contract work	25	79	72
Tax recoverable		613	354
Pledged bank deposits	26	14,536	2,942
Bank balances and cash	27	106,025	120,980
		<u>815,098</u>	<u>651,159</u>
Current Liabilities			
Amounts due to customers for contract work	25	21,961	35,685
Trade and other payables	28	183,288	181,388
Amounts due to minority shareholders	29	16,100	7,232
Amount due to a shareholder		–	124
Tax payable		7,484	1,429
Bank borrowings	34	394,519	263,182
Obligations under finance leases	35	6,083	7,344
		<u>629,435</u>	<u>496,384</u>
Net Current Assets		<u>185,663</u>	<u>154,775</u>
		<u>694,806</u>	<u>549,117</u>

Consolidated Balance Sheet

AT 31ST DECEMBER, 2002

	<i>Notes</i>	2002 HK\$'000	2001 HK\$'000
Capital and Reserves			
Share capital	30	56,736	56,736
Reserves		<u>371,582</u>	<u>337,669</u>
		428,318	394,405
Minority interests			
		<u>152,262</u>	<u>115,658</u>
Non-current Liabilities			
Deferred tax	33	4,700	4,660
Bank borrowings	34	96,787	23,853
Obligations under finance leases	35	12,739	8,978
Long-term payables	36	–	1,563
		<u>114,226</u>	<u>39,054</u>
		694,806	549,117

The financial statements on pages 21 to 67 were approved and authorised for issue by the Board of Directors on 16th April, 2003 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Balance Sheet

AT 31ST DECEMBER, 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	18	978	843
Investments in subsidiaries	19	247,248	244,210
Investment in a security	21	5,000	5,000
Rental deposits and other assets		435	672
		<u>253,661</u>	<u>250,725</u>
Current Assets			
Other receivables		7,508	56,528
Amounts due from subsidiaries		279,320	213,486
Pledged bank deposits	26	6,408	–
Bank balances and cash		444	448
		<u>293,680</u>	<u>270,462</u>
Current Liabilities			
Other payables		1,804	2,917
Amounts due to subsidiaries		11,633	4,897
Bank borrowings	34	22,500	20,000
		<u>35,937</u>	<u>27,814</u>
Net Current Assets		<u>257,743</u>	<u>242,648</u>
		<u>511,404</u>	<u>493,373</u>
Capital and Reserves			
Share capital	30	56,736	56,736
Reserves	32	413,418	436,637
		<u>470,154</u>	<u>493,373</u>
Non-current Liabilities			
Bank borrowings	34	41,250	–
		<u>511,404</u>	<u>493,373</u>

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 2001	56,688	318,050	19,367	(188,477)	215	153,553	359,396
Net gain not recognised in the consolidated income statement:							
– Exchange difference arising from the translation of overseas subsidiaries	–	–	–	–	52	–	52
Realised to income statement on disposal of interest in a subsidiary to minority shareholders	–	–	–	577	–	–	577
Shares issued at premium	48	68	–	–	–	–	116
Net profit for the year	–	–	–	–	–	34,264	34,264
At 31st December, 2001	56,736	318,118	19,367	(187,900)	267	187,817	394,405
Net gain not recognised in the consolidated income statement:							
– Exchange difference arising from the translation of overseas subsidiaries	–	–	–	–	53	–	53
Realised to income statement on deemed disposal of interest in a subsidiary to minority shareholders	–	–	–	3,979	–	–	3,979
Net profit for the year	–	–	–	–	–	41,228	41,228
Dividend paid	–	–	–	–	–	(11,347)	(11,347)
At 31st December, 2002	56,736	318,118	19,367	(183,921)	320	217,698	428,318

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	<i>Notes</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit from operations		93,980	80,462
Adjustments for:			
Interest income		(5,290)	(5,383)
Depreciation		28,691	24,062
Allowance for (write back of) bad and doubtful debts, net		1,763	(5,380)
Amortisation of goodwill		526	526
Release of negative goodwill		(413)	(403)
Loss on disposal of property, plant and equipment		2,522	352
Revaluation decrease on investment properties		1,500	–
Operating cash flow before movements in working capital		123,279	94,236
(Increase) decrease in inventories		(84,621)	23,468
(Increase) decrease in trade and other receivables		(58,459)	13,403
(Increase) decrease in amounts due from customers for contract work		(7)	62
Decrease in amounts due to customers for contract work		(13,724)	(12,610)
Decrease in trade and other payables		(35,223)	(36,586)
Effect of foreign exchange rate changes		(680)	349
Cash (used in) generated from operations		(69,435)	82,322
Hong Kong Profits Tax paid		(3,820)	(405)
Overseas taxation paid		(96)	(433)
Hong Kong Profits Tax refunded		17	829
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(73,334)	82,313
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(60,856)	(20,242)
Advance of loans		(20,158)	–
Net (outflow) inflow of cash and cash equivalents in respect of acquisition of subsidiaries	37	(8,005)	7,961
(Increase) decrease in pledged bank deposits		(7,353)	13,152
Payment of deferred consideration on acquisition of a subsidiary and further interests in subsidiaries		(1,563)	(8,433)
Net outflow of cash and cash equivalents in respect of disposal of a subsidiary	38	(5)	–
Repayment of loans advanced		16,158	–
Proceeds from disposal of property, plant and equipment		9,025	252
Interest received		5,918	2,484
Expenses for proposed investment written off		–	(7,161)
Acquisition of further interests in subsidiaries from minority shareholders		–	(16,480)
Proceeds from disposal of interest in a subsidiary to minority shareholders		–	6,968
Repayment of minority shareholders		–	233
NET CASH USED IN INVESTING ACTIVITIES		(66,839)	(21,266)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2002

	2002 HK\$'000	2001 HK\$'000
FINANCING ACTIVITIES		
Bank loans raised	173,429	40,118
Net borrowing (repayment) of trust receipt loans	36,947	(2,355)
Injection from minority shareholders	10,311	–
Advance from (repayment of) minority shareholders	8,893	(3,560)
Repayment of bank loans	(31,560)	(37,263)
Repayment of convertible note	(20,000)	–
Interest paid	(18,487)	(21,827)
Repayment of mortgage loans	(14,053)	(11,565)
Dividend paid to minority shareholders of subsidiaries	(15,763)	(8,506)
Dividend paid	(11,347)	–
Repayment of obligations under finance leases	(8,528)	(6,612)
(Repayment of) advance from a shareholder	(124)	124
Repayment of notes payable to a shareholder	–	(22,850)
Mortgage loans raised	11,000	23,401
Proceeds from issue of shares	–	116
	<u>120,718</u>	<u>(50,779)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	120,718	(50,779)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,455)	10,268
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	104,560	94,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(422)	29
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	84,683	104,560
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	106,025	120,980
Bank overdrafts	(21,342)	(16,420)
	<u>84,683</u>	<u>104,560</u>

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

1. GENERAL

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

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

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

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has resulted in the presentation of the statement of changes in equity and a change in the format of presentation of cash flow statement.

Foreign currencies

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the year. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received and interest and dividends paid, which were previously presented under a separate heading, are classified as investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amount present for cash and cash equivalents have been amended to exclude trust receipt loans which are financing in nature. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

In the current year, the Group has adopted SSAP 34 “Employee benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans.

Besides, the standard has introduced additional disclosure requirements which have been adopted in these financial statements. The adoption of SSAP 34 has had no material impact on the financial statements.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

Negative goodwill

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

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities on acquisition less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Investments in securities

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

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

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

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

Revenue recognition

Construction contracts

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

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

Others

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

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

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

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

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Property, plant and equipment

Property, plant and equipment, other than assets under installation and construction in progress, are stated at cost less depreciation and any identified impairment losses.

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

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – 33 ¹ / ₃ %
Motor vehicles	20% – 33 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 and construction in progress until such time as the relevant assets are completed and put into use.

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

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease. Finance costs, which represent the difference between the total commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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

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 loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case, the impairment loss is treated as a revaluation decrease under that other standard.

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

Inventories

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

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

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's operations which are denominated in foreign currencies and which operate in The People's Republic of China ("PRC") and overseas are translated at the rates prevailing on the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs

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

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

Taxation

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

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

4. SEGMENT INFORMATION

Business segments

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

Segment information about these businesses is presented below:

2002

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of ALC and precast concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE								
External sales	603,949	99,086	69,388	196,923	244,176	25,959	-	1,239,481
Inter-segment sales	9,505	157,814	-	9,937	25,806	-	(203,062)	-
Total revenue	613,454	256,900	69,388	206,860	269,982	25,959	(203,062)	1,239,481
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.								
SEGMENT RESULT	80,765	(783)	15,214	14,078	2,566	56	139	112,035
Amortisation of goodwill								(526)
Release of negative goodwill								413
Unallocated other operating income								12,488
Unallocated corporate expenses								(30,430)
Profit from operations								93,980

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2002 (Continued)

BALANCE SHEET

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of ALC and precast concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
ASSETS								
Segment assets	506,562	303,928	155,393	292,610	157,982	100,302	(274,457)	1,242,320
Interest in a jointly controlled entity	-	-	-	-	-	1,257	-	1,257
Unallocated corporate assets								80,664
Consolidated total assets								1,324,241
LIABILITIES								
Segment liabilities	132,311	81,821	34,404	124,217	98,440	25,699	(262,617)	234,275
Unallocated corporate liabilities								509,386
Consolidated total liabilities								743,661

OTHER INFORMATION

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of ALC and precast concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	56,082	8,302	139	49,697	467	1,753	1,287	117,727
Depreciation	9,033	740	5,894	11,273	534	15	1,202	28,691
Amortisation of goodwill	-	-	-	-	-	-	526	526
Release of negative goodwill	-	-	-	-	-	-	(413)	(413)
Allowance for (write back of)								
bad and doubtful debts, net	1,038	953	(2,872)	859	1,785	-	-	1,763
Trade and other payables written back	-	-	(716)	(1,093)	(299)	-	-	(2,108)
Loss (gain) on disposal of property, plant and equipment	1,004	-	316	(2,907)	10	-	4,099	2,522

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2001

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of ALC and precast concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	454,983	188,901	65,381	123,876	175,017	-	1,008,158
Inter-segment sales	9,965	28,391	-	6,185	16,879	(61,420)	-
Total revenue	464,948	217,292	65,381	130,061	191,896	(61,420)	1,008,158

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

SEGMENT RESULT	43,595	7,210	22,779	6,807	2,009	65	82,465
Amortisation of goodwill							(526)
Release of negative goodwill							403
Unallocated other operating income							8,961
Unallocated corporate expenses							(10,841)
Profit from operations							80,462

BALANCE SHEET

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

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2001 (Continued)

OTHER INFORMATION

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of ALC and precast concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	2,452	21	20,920	53,670	2,958	1,052	81,073
Depreciation	8,412	724	5,332	7,599	787	1,208	24,062
Amortisation of goodwill	-	-	-	-	-	526	526
Release of negative goodwill	-	-	-	-	-	(403)	(403)
Allowance for (write back of) bad and doubtful debts, net	1,067	248	(7,131)	31	405	-	(5,380)
Write back of provision for severance payments	-	-	(4,830)	-	-	-	(4,830)
Write back of provision for claims	-	-	(6,898)	-	-	-	(6,898)
Loss (gain) on disposal of property, plant and equipment	26	(8)	283	(19)	25	45	352

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market		Contribution to profit from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	991,966	745,135	106,471	72,237
Other regions in the PRC	217,709	237,636	4,592	9,677
United Kingdom	13,290	15,744	605	166
Australia	6,435	5,290	(230)	(147)
Others	10,081	4,353	597	532
	1,239,481	1,008,158	112,035	82,465
Amortisation of goodwill			(526)	(526)
Release of negative goodwill			413	403
Unallocated other operating income			12,488	8,961
Unallocated corporate expenses			(30,430)	(10,841)
Profit from operations			93,980	80,462

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

4. SEGMENT INFORMATION *(Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	938,279	833,242	30,368	31,054
Other regions in the PRC	361,524	191,815	55,352	2,293
United Kingdom	20,379	16,698	492	8,215
Australia	4,059	3,746	14	7
	1,324,241	1,045,501	86,226	41,569

5. OTHER OPERATING INCOME

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Claims received	–	5,708
Commission income	–	3,693
Consultancy income	–	2,850
Customs duty refund	–	2,200
Management income	508	212
Other service income	13	234
Processing income	2,005	2,142
Property manager remuneration	421	474
Rental income	4,127	3,374
Sales of metal scrap	3,061	2,604
Trade and other payables written back	2,108	–
Sundry income	5,081	4,041
Transportation income	6,705	2,048
Write back of provision for severance payments	–	4,830
	24,029	34,410

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

6. ADMINISTRATIVE EXPENSES

Included in administrative expenses is a net allowance for bad and doubtful debts of HK\$1,763,000 (2001: net write back of allowance for bad and doubtful debts HK\$5,380,000).

7. WRITE BACK OF PROVISION FOR CLAIMS

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

8. PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	3,002	2,743
Underprovision in prior years	198	319
Depreciation		
Owned assets	26,599	22,495
Assets held under finance leases	2,092	1,567
Minimum lease payments for operating leases in respect of		
Land and buildings	9,127	4,639
Plant and machinery	1,579	559
Staff costs including directors' emoluments and contributions to retirement benefits scheme	121,562	100,770
Amount capitalised in contract work	(9,174)	(12,469)
Amount capitalised in assets under installation	–	(1,762)
	<hr/>	<hr/>
	112,388	86,539

Minimum lease payments for operating leases in respect of a director's and an employee's accommodation amounting to HK\$1,320,000 (2001: HK\$1,305,200) and HK\$405,000 (2001: HK\$420,000) respectively are included under staff costs.

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

9. EXPENSES FOR PROPOSED INVESTMENT WRITTEN OFF

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

Pursuant to the joint announcement dated 21st March, 2001, the Acquisition Agreements have not been completed due to non-fulfillment of the conditions precedent relating to the due diligence exercise, the waivers on all the pre-emptive rights from the other joint venture partners and the transfer of the interests of the joint venture companies. Accordingly, the Acquisition Agreements have lapsed and the deposits paid amounting to a total of HK\$2,500,000 were forfeited by the vendor. This amount together with other expenses of HK\$4,661,000 incurred for the acquisition have been charged to the consolidated income statement in prior year.

10. FINANCE COSTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Interest on:		
Bank borrowings wholly repayable within five years	17,285	18,273
Bank borrowings not wholly repayable within five years	680	165
Finance leases	784	648
Notes payable to a shareholder	–	157
Other borrowings wholly repayable within five years	573	567
<hr/>		
Total borrowing costs	19,322	19,810
Less: amount capitalised in assets under installation	(281)	–
<hr/>		
	19,041	19,810
<hr/>		

Borrowing costs capitalised during the year arose on borrowings specifically for the installation works.

11. LOSS ON DISPOSAL OF SUBSIDIARIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Loss on deemed disposal of interest in a subsidiary	4,500	34
Loss on disposal of a subsidiary	55	–
<hr/>		
	4,555	34
<hr/>		

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
<hr/>		
Fees:		
Executive	–	–
Independent non-executive	152	144
	<hr/>	<hr/>
	152	144
<hr/>		
Other emoluments:		
Executive		
Salaries and other benefits	6,383	6,509
Performance related bonus	3,400	1,300
Contributions to retirement benefits scheme	376	361
	<hr/>	<hr/>
	10,159	8,170
	<hr/>	<hr/>
	10,311	8,314
<hr/>		

The directors' emoluments were within the following bands:

	2002 Number of directors	2001 Number of directors
HK\$Nil to HK\$1,000,000	2	4
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	–
	<hr/>	<hr/>
	5	7
<hr/>		

No director waived any emoluments for the two years ended 31st December, 2002.

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

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

(b) Employees' emoluments

The five highest paid individuals included two directors (2001: three directors), details of whose emoluments are set out above. The emoluments of the remaining three individuals (2001: two individuals), excluding commission on sales generated by the employees, are as follows:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Salaries and other benefits	7,485	4,037
Contributions to retirement benefits scheme	69	58
	7,554	4,095

Their emoluments were within the following bands:

	2002 No. of employees	2001 No. of employees
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	–
	3	2

13. TAXATION (CHARGE) CREDIT

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The (charge) credit comprises:		
Hong Kong Profits Tax		
Current year	(6,030)	(2,838)
Overprovision in respect of prior years	8	775
Taxation outside Hong Kong		
Current year	(278)	(166)
Deferred tax (<i>note 33</i>)	(24)	4,750
	(6,324)	2,521

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

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

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

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

14. DIVIDEND

On 26th June, 2002 a dividend of 2 HK cents per share, amounting to HK\$11,347,000 was paid to shareholders as final dividend in respect of 2001.

A dividend in respect of 2002 of 2.5 HK cents per share, amounting to HK\$14,184,000 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	41,228	34,264
Adjustment to the share of results of subsidiaries based on the effect of dilutive share options	(8)	(202)
Earnings for the purpose of diluted earnings per share	41,220	34,062
Weighted average number of ordinary shares for the purpose of basic earnings per share	567,362,500	567,322,637
Effect of dilutive share options	–	66,023
Weighted average number of ordinary shares for the purpose of diluted earnings per share	567,362,500	567,388,660

16. GOODWILL (NEGATIVE GOODWILL)

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
GROSS AMOUNT			
At 1st January, 2002	5,259	(11,283)	(6,024)
Arising on acquisition of subsidiaries	38,346	(1,344)	37,002
At 31st December, 2002	43,605	(12,627)	30,978
AMORTISATION/RELEASED TO INCOME			
At 1st January, 2002	(526)	403	(123)
(Amortised) released for the year	(526)	413	(113)
At 31st December, 2002	(1,052)	816	(236)
CARRYING AMOUNTS			
At 31st December, 2002	42,553	(11,811)	30,742
At 31st December, 2001	4,733	(10,880)	(6,147)

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

16. GOODWILL (NEGATIVE GOODWILL) (Continued)

Goodwill is amortised on straight-line basis over the estimated useful life of 10 years.

Negative goodwill is presented as a deduction from assets and is released to income on a straight-line basis over the range of 11 years to 28 years, being the remaining useful life of the non-monetary assets acquired.

17. INVESTMENT PROPERTIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At beginning of the year	46,600	46,600
Decrease on revaluation	(1,500)	–
At end of the year	45,100	46,600

The Group's investment properties comprise:

	2002	2001
	HK\$'000	HK\$'000
Properties held under medium term leases:		
In Hong Kong	42,030	43,400
Other regions in the PRC	3,070	3,200
	45,100	46,600

Investment properties situated in Hong Kong and the PRC were revalued at 31st December, 2002 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. The decrease arising on revaluation of HK\$1,500,000 (2001: Nil) had been charged to the consolidated income statement.

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

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1st January, 2002	401,249	22,115	15,360	15,067	311,735	496	2,300	768,322
Exchange differences	722	-	18	34	421	-	-	1,195
On acquisition of subsidiaries	2,327	517	1,129	24,259	15,367	-	-	43,599
Additions	1,590	1,191	1,106	6,610	28,670	40,073	6,986	86,226
Disposals	(13,678)	(101)	(780)	(935)	(5,111)	-	-	(20,605)
On disposal of subsidiaries	-	-	-	-	(606)	-	-	(606)
Reclassification	496	-	-	-	-	(496)	-	-
At 31st December, 2002	392,706	23,722	16,833	45,035	350,476	40,073	9,286	878,131
DEPRECIATION								
At 1st January, 2002	215,544	14,493	11,500	10,676	170,426	-	-	422,639
Exchange differences	11	1	6	12	93	-	-	123
On acquisition of subsidiaries	415	39	506	8,351	2,787	-	-	12,098
Provided for the year	6,096	1,499	1,444	2,311	17,341	-	-	28,691
Eliminated on disposals	(2,227)	(16)	(755)	(563)	(2,402)	-	-	(5,963)
On disposal of subsidiaries	-	-	-	-	(131)	-	-	(131)
At 31st December, 2002	219,839	16,016	12,701	20,787	188,114	-	-	457,457
NET BOOK VALUES								
At 31st December, 2002	172,867	7,706	4,132	24,248	162,362	40,073	9,286	420,674
At 31st December, 2001	185,705	7,622	3,860	4,391	141,309	496	2,300	345,683

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1st January, 2002	617	438	591	1,646
Additions	–	63	423	486
At 31st December, 2002	617	501	1,014	2,132
DEPRECIATION				
At 1st January, 2002	369	237	197	803
Provided for the year	124	95	132	351
At 31st December, 2002	493	332	329	1,154
NET BOOK VALUES				
At 31st December, 2002	124	169	685	978
At 31st December, 2001	248	201	394	843

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

	THE GROUP	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Leasehold land and buildings:		
Situated in Hong Kong held under medium term leases	110,933	125,679
Situated in other regions in the PRC held under medium term leases	54,203	52,949
Situated outside Hong Kong held under freehold	7,731	7,077
	172,867	185,705
Construction in progress:		
Situated in Hong Kong held under medium term leases	2,300	2,300
Situated in Hong Kong held under short term leases	6,769	–
Situated in other regions in the PRC held under medium term leases	217	–
	9,286	2,300
	182,153	188,005

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Plant and machinery of the Group includes assets carried at a cost of HK\$8,288,000 (2001: Nil) with accumulated depreciation of HK\$69,000 (2001: Nil) held for used under operating leases. Depreciation charged in respect of these assets during the year amounted to HK\$69,000 (2001: Nil).

The net book values of motor vehicles, plant and machinery and equipment and assets under installation of the Group include an amount of HK\$183,000 (2001: HK\$402,000), HK\$28,142,000 (2001: HK\$28,821,000) and HK\$2,952,000 (2001: Nil) respectively in respect of assets held under finance leases.

19. INVESTMENTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	247,248	244,210

Particulars of the principal subsidiaries at 31st December, 2002 are as follows:

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	67.5%	Property holding
China Metal Technology Holdings Limited (formerly known as Golik Steel Wire Rope Limited)	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Investment holding and trading of steel and metal products
Chung Kong Printing Supplies Company Limited	Incorporated	Hong Kong	HK\$100 Ordinary shares	95%	Sales of printing materials
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$10,100,000 Non-voting deferred shares**	95%	Sales of printing materials, spare parts and machines
Dah Bang Printing Supplies Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	95%	Sales of printing materials, spare parts and machines

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19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Daido Asia Company Limited	Incorporated	Hong Kong	HK\$2,000,000 Ordinary shares	61.11%	Sales of piles, metal products and building materials
Daido Building Materials Limited	Incorporated	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares**	61.11%	Manufacturing and sales of ALC Products
Daido Concrete (H.K.) Limited	Incorporated	Hong Kong	HK\$750,000,000 Ordinary shares	61.11%	Investment holding
Daido Group Limited	Incorporated	Bermuda	HK\$30,000,000 Ordinary shares	61.11%	Investment holding
Daido Home Finance Limited	Incorporated	Hong Kong	HK\$100,000 Ordinary shares	61.11%	Money lending
Daido Home International Limited	Incorporated	Cayman Islands	HK\$225,375,000 Ordinary shares HK\$91,500,000 Convertible redeemable preference shares***	61.11%	Investment holding, sales and installation of ALC Products and sales of building materials
Daido Precast Company Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	61.11%	Manufacturing and sales of semi-precast concrete slab
Ding Cheong Limited	Incorporated	Hong Kong	HK\$500,000 Ordinary shares	55%	Sales of construction materials
Golik Concrete Limited (formerly known as Dyna Concrete Limited)	Incorporated	Hong Kong	HK\$60,000,000 Ordinary shares	100%	Construction and sales of concrete pipes and related products

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19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Fulwealth Metal Factory Limited*	Incorporated	Hong Kong	HK\$20,000,000 Ordinary shares	77%	Decoiling centre
Golik Finance & Investments Limited*	Incorporated	Hong Kong	HK\$5,000,000 Ordinary shares	100%	Money lending
Golik Godown Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Provision for warehouse services
Golik Metal Industrial Company Limited*	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$5,135,000 Non-voting deferred shares**	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK\$30,000,000 Ordinary shares	61.11%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited*	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Sales of steel bars
Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei")	Equity joint venture	The People's Republic of China	US\$3,880,000 Registered capital	60% (note)	Manufacturing and sales of steel wire products and steel ropes
Jade Ocean Limited*	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Property holding
Kam Sing Limited*	Incorporated	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding

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19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Locusrite Limited	Incorporated	United Kingdom	£100,000 Ordinary shares	80%	Manufacturing and sales of metal products
Luenik Construction Material Company Limited	Incorporated	Hong Kong	HK\$400,000 Ordinary shares	67.5%	Sales of construction materials
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	40.8%	Sales of PVC plastic products
Stahl Trading Pty Limited	Incorporated	Australia	AUS\$100 Ordinary shares	100%	Sales of steel and metal products
Tak Sun Limited	Incorporated	British Virgin Islands	US\$1 Ordinary share	61.11%	Investment holding
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials
Tianjin Golik – No. 1 Steel Wire Rope Co., Limited	Equity joint venture	The People's Republic of China	US\$1,000,000 Registered capital	51%	Manufacturing and sales of steel wire rope for elevators
Tianjin Golik – The First PC Steel Strand Co., Limited	Equity joint venture	The People's Republic of China	RMB41,842,914 Registered capital	51%	Manufacturing and sales of prestressed steel wire
Worldlight Group Limited*	Incorporated	British Virgin Islands	US\$2 Ordinary shares	100%	Investment holding
Ytong Hong Kong Limited	Incorporated	Hong Kong	HK\$20 Ordinary shares HK\$10,000 Non-voting deferred shares**	61.11%	Installation of ALC Products

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19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
定昌(江門)五金製品有限公司	Wholly owned foreign enterprise	The People's Republic of China	HK\$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣州高力鋼網製造有限公司	Wholly owned foreign enterprise	The People's Republic of China	US\$500,000 Registered capital	100%	Manufacturing and sales of welded wire mesh and related products
廣東水利混凝土有限公司	Equity joint venture	The People's Republic of China	RMB27,800,000 Registered capital	82%	Operating a concrete batching plant
廣州保稅區高力金屬貿易有限公司	Equity joint venture	The People's Republic of China	HK\$5,000,000 Registered capital	80%	Sales of steel and metal products
鶴山高力金屬制品有限公司	Equity joint venture	The People's Republic of China	US\$1,030,163 Registered capital	81.6%	Manufacturing and sales of steel wire products and steel ropes

* Subsidiaries held directly by the Company

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

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

Note

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

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

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

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20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	1,257	–

Particulars of the jointly controlled entity are as follows:

Company	Form of business structure	Place of incorporation/ registration/ operation	Class of shares	Percentage of ownership attributable to the Group	Principal activities
Kunshan Rosathal Printing Ink Limited	Equity joint venture	The People's Republic of China	Registered capital	33.25%	Manufacturing and sales of printing ink

21. INVESTMENT IN A SECURITY

	THE GROUP AND THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment security: Equity security, unlisted at cost	5,000	5,000

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

22. LONG-TERM RECEIVABLES

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Building mortgage loans (<i>note a</i>)	581	750
Other loans (<i>note b</i>)	19,000	15,000
Retention receivables (<i>note c</i>)	7,477	10,938
Trade receivables (<i>note d</i>)	1,215	1,201
	28,273	27,889
<i>Less:</i> amounts due within one year shown under trade and other receivables	(22,968)	(25,934)
Amounts due after one year	5,305	1,955

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22. LONG-TERM RECEIVABLES (Continued)

- (a) The building mortgage loans bear interest at 3% to 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009.
- (b) The loan of HK\$15,000,000 is secured, bears interest at 4% (2001: 4% to 8%) per annum and was repayable in October 2002. The repayment was subsequently extended to October 2003. The remaining loan is unsecured, bears interest at 4% (2001: Nil) per annum and repayable up to November 2005.
- (c) The retention receivables were not yet due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.
- (d) The amounts are aged over 120 days and are repayable by yearly instalments up to 2006.

23. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	113,816	54,121
Work in progress	9,068	5,990
Finished goods	122,763	82,690
Supplies	791	363
	246,438	143,164

Included above are raw materials of HK\$491,000 (2001: HK\$883,000), work in progress of HK\$824,000 (2001: HK\$495,000) and finished goods of HK\$2,888,000 (2001: HK\$3,341,000) which are carried at net realisable value.

24. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from C.O.D. to 180 days to its customers.

Included in trade and other receivables are trade receivables of HK\$371,639,000 (2001: HK\$279,862,000) with an aged analysis as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 – 30 days	141,459	92,664
31 – 60 days	105,251	68,125
61 – 90 days	53,653	48,982
91 – 120 days	30,023	28,151
More than 120 days	41,253	41,940
	371,639	279,862

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

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits		
less recognised losses	158,139	275,267
Progress payments received and receivable	(180,021)	(310,880)
	<hr/>	<hr/>
	(21,882)	(35,613)
<hr/>		
Analysed for reporting purposes as:		
Amounts due from customers for contract work	79	72
Amounts due to customers for contract work	(21,961)	(35,685)
	<hr/>	<hr/>
	(21,882)	(35,613)
<hr/>		

26. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets.

Amounts of approximately HK\$9,787,000 were released subsequent to the balance sheet date.

27. BANK BALANCES AND CASH

At the balance sheet date, bank balances and cash of the Group include currency denominated in Renminbi of HK\$22,255,000 (2001: HK\$16,240,000) are considered not freely convertible into other currencies.

28. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$75,306,000 (2001: HK\$63,958,000) with an aged analysis as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
0 – 30 days	40,512	30,910
31 – 60 days	15,459	21,078
61 – 90 days	10,529	7,896
91 – 120 days	5,726	1,557
More than 120 days	3,080	2,517
	<hr/>	<hr/>
	75,306	63,958
<hr/>		

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29. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

30. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 31st December, 2001 and 2002	1,800,000,000	180,000
<i>Issued and fully paid:</i>		
At 1st January, 2001	566,877,500	56,688
Issued upon the exercise of options	485,000	48
At 31st December, 2001 and 2002	567,362,500	56,736

In 2001, 485,000 ordinary shares of the Company were issued at HK\$0.24 per share upon the exercise of options by option holders.

31. SHARE OPTION SCHEMES

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

No share option was granted during the year and there was no share option outstanding as at 31st December, 2002.

Details of movements during 2001 in the Company's share options held by a former director are as follows:

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

The options were exercised in January 2001. The market price of the shares on the exercise date is HK\$0.285.

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31. SHARE OPTION SCHEMES (Continued)

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

Details of movements during the year in Daido’s share options held by employees (including directors) are as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options at 1.1.2002	Lapsed during the year	Number of share options at 31.12.2002	Percentage on issued share capital of Daido
16th November, 2000	16th May, 2001 to 15th May, 2003	HK\$0.063	145,000,000	(10,000,000)	135,000,000	4.5%

No movement in share options during the year ended 31st December, 2001.

- (iii) The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities – Share Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and that such amendments became effective on 1st September, 2001.

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company and Daido at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company and Daido, and will not be less than the higher of the closing price of the Company’s and Daido’s shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

As the existing schemes no longer comply with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the schemes from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the schemes will continue to be exercisable in accordance with the schemes.

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32. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2001	318,050	65,891	53,509	437,450
Shares issued at premium	68	–	–	68
Net loss for the year	–	–	(881)	(881)
At 31st December, 2001	318,118	65,891	52,628	436,637
Net loss for the year	–	–	(11,872)	(11,872)
Dividend paid	–	–	(11,347)	(11,347)
At 31st December, 2002	318,118	65,891	29,409	413,418

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:

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

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Contributed surplus	65,891	65,891
Accumulated profits	29,409	52,628
	95,300	118,519

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33. DEFERRED TAX

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At beginning of the year	4,660	9,410
Exchange differences	16	–
Movement for the year (<i>note 13</i>)	24	(4,750)
At end of the year	4,700	4,660

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

	Provided		Unprovided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000

THE GROUP

Tax effect of timing differences because of:

Excess of tax allowances over depreciation	(4,881)	(4,873)	(26,753)	(31,531)
Impairment of property, plant and equipment	–	–	11,834	13,067
Taxation losses	181	213	125,711	117,788
Other timing difference	–	–	306	–
Net deferred tax (liability) asset	(4,700)	(4,660)	111,098	99,324

	Unprovided	
	2002	2001
	HK\$'000	HK\$'000

THE COMPANY

Tax effect of timing differences because of:

Excess of tax allowances over depreciation	(80)	(71)
Taxation losses	10,375	7,680
Net deferred tax asset	10,295	7,609

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33. DEFERRED TAX (Continued)

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

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

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

	Provided		Unprovided	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
(Shortfall) excess of tax allowances				
over depreciation	(28)	(4,599)	(4,895)	5,440
Impairment of property, plant and				
equipment	–	–	1,233	1,234
Taxation losses utilised (arising)	52	(151)	(98)	5,918
Other timing difference	–	–	(172)	–
	24	(4,750)	(3,932)	12,592

During the year, unprovided deferred tax asset of HK\$7,842,000 (2001: HK\$9,015,000) were arising from acquisition of subsidiaries.

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34. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts	21,342	16,420	–	–
Bank loans	170,525	5,118	63,750	–
Convertible note (<i>Note</i>)	–	20,000	–	20,000
Mortgage loans	35,575	38,115	–	–
Trust receipt loans	263,864	207,382	–	–
	491,306	287,035	63,750	20,000
Analysed as:				
Secured	157,932	62,964	63,750	20,000
Unsecured	333,374	224,071	–	–
	491,306	287,035	63,750	20,000
The bank borrowings are repayable as follows:				
On demand or within one year	394,519	263,182	22,500	20,000
More than one year, but not exceeding two years	37,836	5,134	22,500	–
More than two years, but not exceeding five years	52,365	11,439	18,750	–
More than five years	6,586	7,280	–	–
	491,306	287,035	63,750	20,000
<i>Less:</i> amounts due within one year shown under current liabilities	(394,519)	(263,182)	(22,500)	(20,000)
Amounts due after one year	96,787	23,853	41,250	–

Note

The convertible note bore interest at 7% per annum and was fully repaid during the year.

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35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
THE GROUP				
Within one year	6,931	8,063	6,083	7,344
In the second to fifth year inclusive	13,616	9,616	12,739	8,978
	20,547	17,679	18,822	16,322
<i>Less: future finance charges</i>	(1,725)	(1,357)	–	–
Present value of lease obligations	18,822	16,322	18,822	16,322
<i>Less: amounts due within one year shown under current liabilities</i>			(6,083)	(7,344)
Amounts due after one year			12,739	8,978

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 3 to 5 years. For the year ended 31st December, 2002, the average effective borrowing rates were ranging from 2.5% to 12.5% or 2% over HIBOR. 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.

36. LONG-TERM PAYABLES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Other payables	1,563	6,000	–	2,108
<i>Less: amount due within one year shown under trade and other payable</i>	(1,563)	(4,437)	–	(2,108)
Amount due after one year	–	1,563	–	–

The amounts are unsecured and interest-free. The amount of HK\$1,563,000 (2001: HK\$3,892,000) is repayable by instalments up to 16th April, 2003. The remaining amount of HK\$2,108,000 in 2001 was fully repaid during the year.

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37. ACQUISITION OF SUBSIDIARIES

On 30th November, 2002 and 30th December, 2002, the Group acquired a 82% and 95% interest in 廣東水利混凝土有限公司 and Dah Bang Printing Ink Manufactory Limited and its subsidiaries for a consideration of HK\$7,671,000 and HK\$54,414,000 respectively.

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NET ASSETS ACQUIRED		
Property, plant and equipment	31,501	39,504
Interest in a jointly controlled entity	1,257	–
Inventories	18,464	1,246
Trade and other receivables	57,719	28,461
Pledged bank deposits	4,241	–
Bank balances and cash	1,315	12,702
Trade and other payables	(35,842)	(61,997)
Tax payable	(3,395)	–
Bank borrowings	(43,077)	–
Bank overdrafts	(2,347)	–
Obligations under finance leases	(35)	–
Minority interests	(4,718)	–
	25,083	19,916
Goodwill	38,346	–
Negative goodwill	(1,344)	(11,283)
Total consideration	62,085	8,633
Satisfied by:		
Cash	6,973	4,741
Consideration payable	962	3,892
Amount due from vendor	54,150	–
	62,085	8,633
Net cash (outflow) inflow arising on acquisition:		
Cash consideration	(6,973)	(4,741)
Bank balances and cash acquired	1,315	12,702
Bank overdrafts acquired	(2,347)	–
Net (outflow) inflow of cash and cash equivalents in respect of acquisition of subsidiaries	(8,005)	7,961

The subsidiaries acquired during the year contributed approximately HK\$8.3 million (2001: HK\$24.4 million) to the Group's turnover and approximately HK\$0.6 million (2001: HK\$4.0 million) to the Group's profit from operations.

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38. DISPOSAL OF A SUBSIDIARY

	2002 <i>HK\$'000</i>
<hr/>	
NET ASSETS DISPOSED OF	
Property, plant and equipment	475
Trade and other receivables	668
Bank balances and cash	5
Trade and other payables	(803)
Amounts due to minority shareholders	(45)
Minority interest	(135)
<hr/>	
	165
Loss on disposals	(55)
<hr/>	
	110
<hr/>	
Satisfied by:	
Consideration receivable	110
<hr/>	
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	5
<hr/>	

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

39. 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 and contracts of HK\$10,993,000 (2001: HK\$16,764,000).
- (ii) The consideration in respect of the disposal of property, plant and equipment of HK\$3,095,000 (2001: Nil) has not been received at the balance sheet date.
- (iii) During the year, injection from minority shareholders of HK\$14,096,000 (2001: Nil) is in form of property, plant and equipment.
- (iv) The consideration in respect of the acquisition of a subsidiary amounting to HK\$54,150,000 (2001: Nil) was satisfied by amount due from the vendor.
- (v) The consideration in respect of the acquisition of subsidiaries of HK\$962,000 (2001: HK\$3,892,000) had not been settled at the balance sheet date.
- (vi) The consideration in respect of the disposal of a subsidiary of HK\$110,000 (2001: Nil) had not been received at the balance sheet date.

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40. PLEDGE OF ASSETS

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Investment properties	45,100	46,600
Land and buildings	72,765	86,650
Furniture and fixtures	121	–
Motor vehicles	35	–
Plant and machinery and equipment	6,078	5,342
Assets under installation	5,712	–
Bank deposits	14,536	2,942
	144,347	141,534

In addition,

- (1) the Group has pledged the shares of one of its subsidiaries with a market value of HK\$51,102,000 (2001: Nil), representing the Group's 50.1% interest in this subsidiary as securities against banking facilities granted to the Group. In 2001, the Group also pledged the shares of this subsidiary with a market value of HK\$10,703,000, representing the Group's 4.69% interest in this subsidiary, to the vendor of the shares as securities against the unpaid consideration.
- (2) the Group has created a floating charge over other assets with a carrying value of HK\$15,569,000 (2001: Nil) to banks as securities against banking facilities granted to the Group.
- (3) the Group has pledged the property, plant and equipments of HK\$27,235,000 (2001: Nil) to a PRC court as securities against a court case in respect of default in repayment of bank borrowings which have been repaid before the balance sheet date. The respective pledge has been released subsequent to the balance sheet date.

At the balance sheet date, the Company had pledged bank deposits of HK\$6,408,000 (2001: Nil) to banks as securities against banking facilities granted to the Company.

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41. CONTINGENT LIABILITIES

THE GROUP

Certain subsidiaries have been named as defendant in High Court actions in respect of certain injury claims from the workers with accidents occurred in 1996, 1999 and 2000. Except for the amount of one of the injury claims which still not ascertained at the date of the annual report, the injury claims for other cases amounted to HK\$17,045,000. The directors are of the opinion that the final claims are to be indemnified by main contractors of the relevant projects or covered by insurance policy of the Group, accordingly no provision has been made in the financial statements.

THE COMPANY

At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$990,319,000 (2001: HK\$719,550,000) to banks to secure banking facilities granted to its subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2002 amounted to HK\$390,908,000 (2001: HK\$235,291,000).

At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$12,978,000 (2001: Nil) to financial institutions to secure finance leases facilities granted to its subsidiaries. The total finance lease obligations outstanding as at 31st December, 2002 amounting to HK\$9,534,000 (2001: Nil).

42. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee:

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Land and buildings				
Within one year	14,697	6,274	1,780	2,212
In the second to fifth year inclusive	40,694	7,679	242	1,692
After five years	23,549	4,360	–	–
	78,940	18,313	2,022	3,904
Plant and machinery and equipment				
Within one year	2,434	1,532	–	–
In the second to fifth year inclusive	9,000	6,294	–	–
After five years	–	1,968	–	–
	11,434	9,794	–	–

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FOR THE YEAR ENDED 31ST DECEMBER, 2002

42. OPERATING LEASE COMMITMENTS *(Continued)*

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises, staff quarters and plant and machinery and equipment. Leases of office premises and staff quarters are negotiated for terms ranging from one to twenty-three years. Leases of plant and machinery and equipment are negotiated for terms ranging from two to six years.

The Group as lessor:

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Land and buildings		
Within one year	751	2,414
In the second to fifth year inclusive	510	1,513
	1,261	3,927
Plant and machinery and equipment		
Within one year	1,938	–
In the second to fifth year inclusive	2,157	–
	4,095	–

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

43. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	7,147	3,444

At the balance sheet date, certain subsidiaries of the Group had entered into agreements to invest RMB4,276,000 (2001: US\$510,000) in equity joint ventures in the PRC.

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

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to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2002

44. RETIREMENT BENEFITS SCHEMES

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

For members of the MPF Scheme, the Group contributes at amount ranging from 5% to 10% of relevant payroll costs to the Scheme.

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

During the year, the Group made retirement benefits scheme contributions of HK\$3,103,000 (2001: HK\$2,865,000) after forfeited contributions utilized in the Group’s ORSO Scheme of HK\$594,000 (2001: HK\$352,000).

45. RELATED PARTY TRANSACTIONS

In 2001, the Group entered into the following transactions and had the following balances with related parties:

- (a) Full settlement of twenty 5-year 6% notes with an aggregate outstanding balance of HK\$22,850,000 to Golik Investments Ltd., a substantial shareholder.
- (b) Interest paid and payable in respect of the notes in (a) above amounting to approximately HK\$157,000.
- (c) Disposed of 8% interest in Fulwealth Metal Factory Limited to minority shareholders for a consideration of HK\$7,000,000.

46. SIGNIFICANT POST BALANCE SHEET EVENTS

- (i) Subsequent to the balance sheet date, the Group has released the pledge of 1,503,000,000 shares in one of its subsidiaries, representing the Group’s 50.1% interest in this subsidiary, to a financial institution as security against the loan facilities granted to the Group.
- (ii) On 9th January, 2003, Topgain Investments Limited (“Topgain”), a non-wholly owned subsidiary of the Company entered into an agreement with Choice Master Investments Limited (“Choice Master”) pursuant to which Topgain has conditionally agreed to acquire the entire share capital of Lubrano Properties Limited at a total consideration of HK\$75,000,000. The transaction was completed on 4th March, 2003.
- (iii) On 13th March, 2003, the Group contributed US\$2,220,000 in a newly established equity joint venture in the PRC which will be engaged in the manufacturing and sales of colour coated steel products.

Financial Summary

	Year ended 31st December,				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
Turnover					
Continuing operations	929,422	1,027,647	1,121,456	1,008,158	1,239,481
Discontinued operations	128,380	–	–	–	–
	1,057,802	1,027,647	1,121,456	1,008,158	1,239,481
Operating profit					
Continuing operations	74,232	77,235	84,716	73,267	89,425
Discontinued operations	(7,780)	–	–	–	–
Finance costs	(31,210)	(15,769)	(23,648)	(19,810)	(19,041)
Share of results of an associate	(18)	–	–	–	–
Share of results of a jointly controlled entity	–	(166)	(1,614)	–	–
Profit before taxation	35,224	61,300	59,454	53,457	70,384
Taxation	(6,915)	(6,697)	(762)	2,521	(6,324)
Profit after taxation	28,309	54,603	58,692	55,978	64,060
Minority interests	(7,981)	(13,192)	(24,982)	(21,714)	(22,832)
Net profit for the year	20,328	41,411	33,710	34,264	41,228

ASSETS AND LIABILITIES

	At 31st December,				
	1998	(Restated) 1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	604,746	918,935	998,618	1,045,501	1,324,241
Total liabilities	(243,391)	(453,366)	(531,982)	(535,438)	(743,661)
Minority interests	(32,320)	(123,549)	(107,240)	(115,658)	(152,262)
Shareholders' funds	329,035	342,020	359,396	394,405	428,318

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