

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 16 to the financial statements.

## SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2002 are set out in note 16 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.

On 26th June, 2002, a dividend of HK\$0.003 per share, amounting to HK\$9,000,000 was paid to shareholders as the final dividend for 2001.

The directors recommend the payment of a final dividend of HK\$0.003 per share, amounting to HK\$9,000,000 to the shareholders of the Company whose names appear on the register of members on 29th May, 2003.

## RESERVES

Movements in the reserves of the Company during the year are set out in note 25 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 15 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' Report

## DIRECTORS

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

### Executive directors

Mr. Pang Tak Chung (*Chairman*)  
Mr. Akiyoshi Kubota (*Deputy Chairman*)  
Mr. Ho Wai Yu, Sammy  
Mr. Robert Keith Davies  
Mr. Choy Kai Sing  
Mr. Brian Edward Tarling

### Non-executive directors

Mr. Masahiro Taguchi  
Mr. Ge Qin

### Independent non-executive directors

Mr. To Wai Keung  
Mr. Ha Yue Fuen, Henry

In accordance with Clause 87 of the Company's Bye-Laws, Messrs. To Wai Keung and Ha Yue Fuen, Henry retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independent non-executive directors are not appointed for a specific term. All directors (including non-executive directors and independent non-executive directors), with the exception of the Chairman and the Deputy Chairman 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 as recorded in the registers kept by the Company and its associated corporations pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

#### (i) The Company

Name of director	Number of ordinary shares held	
	Personal interest	Corporate interest
Mr. Pang Tak Chung ( <i>Note 1</i> )	–	1,833,447,564
Mr. Akiyoshi Kubota ( <i>Note 2</i> )	–	16,583,000
Mr. Ho Wai Yu, Sammy	440,000	–
Mr. Masahiro Taguchi ( <i>Note 3</i> )	–	394,634,000

#### (ii) Golik Holdings Limited ("GHL")

Name of director	Number of ordinary shares held	
	Personal interest	Corporate interest
Mr. Pang Tak Chung ( <i>Note 4</i> )	135,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	2,296,000	–
Mr. Robert Keith Davies	2,054,000	–

#### (iii) Shares in a fellow subsidiary

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.

# Directors' Report

## DIRECTORS' INTERESTS IN SECURITIES (Continued)

### (1) Shares (Continued)

*Notes:*

1. The 1,833,447,564 shares are held by Worldlight Group Limited, a wholly-owned subsidiary of GHL which is owned as to 34.48% by Golik Investments Ltd. ("GIL") and as to 23.83% by Mr. Pang Tak Chung. GIL is a wholly-owned subsidiary of Golik International Group Limited. Golik International Group Limited is owned as to 38.95% by World Producer Limited, as to 52.39% by Jetworld Development Limited and as to 8.66% by Mr. Pang Tak Chung. The entire issued share capital of Jetworld Development Limited is owned by Mr. Pang Tak Chung. World Producer Limited is owned as to 75% by King World Holdings Limited and as to 25% by Pacific States Limited. The entire issued share capital of King World Holdings Limited and Pacific States Limited is owned by Mr. Pang Tak Chung and Mr. Robert Keith Davies respectively.
2. The 16,583,000 shares are held by Dynamic Investment Limited, a company which is wholly-owned by Mr. Akiyoshi Kubota and his spouse, Mrs. Chisako Kubota.
3. The 394,634,000 shares are held by Sankyo Sekiyu Co. Limited, a company which is owned as to 50.38% by Mr. Masahiro Taguchi and as to 49.62% by his spouse, Mrs. Noriko Taguchi.
4. The 195,646,500 shares are held by GIL.

### (2) Options

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

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options 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. Akiyoshi Kubota	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	30,000,000
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
Mr. Choy Kai Sing	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	15,000,000

Details of the Share Option Scheme adopted by the Company and movement in share options granted under the Share Option Scheme during the year are set out in note 24 to the financial statements.

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## DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

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 holding companies or subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## CONNECTED TRANSACTIONS

- (1) Daido Asia Company Limited ("DACL"), a wholly-owned subsidiary of the Company, has rented from Golik Godown Limited ("GGL"), a wholly-owned subsidiary of GHL, 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 "1st 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 1st Announcement.

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## CONNECTED TRANSACTIONS *(Continued)*

- (2) Golik Metal Manufacturing Co. Limited (“GMM”), a wholly-owned subsidiary of the Company, has entered into purchases and sales arrangements with Ding Cheong Limited (“Ding Cheong”) and Golik Concrete Limited (formerly known as Dyna Concrete Limited) (“Golik Concrete”), being an indirect 55% owned subsidiary and an indirect wholly-owned subsidiary of GHIL respectively. The total amount paid to Ding Cheong for purchase of materials for the year was approximately HK\$2 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 the Company dated 13th May, 2002 (the “2nd 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 the 2nd Announcement.

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

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

## 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 approximately 39% of the Group’s total turnover and the turnover attributable to the Group’s largest customer accounted for approximately 12% of the Group’s total turnover.

The aggregate amount of purchases attributable to the Group’s five largest suppliers accounted for approximately 57% the Group’s total purchases and the purchases attributable to the Group’s largest supplier accounted for approximately 19% 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 an interest in any of the Group’s five largest suppliers or customers.

## 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.

# Directors' Report

## POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 33 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