

INTERIM REPORT
2003

The logo consists of the word "DAIDO" in a bold, yellow, sans-serif font, centered within a solid blue rectangular box.

DAIDO

DAIDO GROUP LIMITED

CORPORATE INFORMATION

Executive Directors

Mr. To Shu Fai (*Chairman*)
Mr. Wong Wai Hung, Frankie
Mr. Tang Tsz Man, Philip
Mr. Pang Tak Chung
(resigned on 6th August, 2003)
Mr. Akiyoshi Kubota
(resigned on 6th August, 2003)
Mr. Ho Wai Yu, Sammy
(resigned on 6th August, 2003)
Mr. Robert Keith Davies
(resigned on 6th August, 2003)
Mr. Choy Kai Sing
(resigned on 6th August, 2003)
Mr. Brian Edward Tarling
(resigned on 6th August, 2003)

Non-Executive Directors

Mr. Masahiro Taguchi
(resigned on 6th August, 2003)
Mr. Ge Qin
(resigned on 6th August, 2003)

Independent Non-Executive Directors

Mr. Tse Yuen Ming, Valent
Mr. Kwok Shun On
Mr. Leung Chi Hung
Mr. To Wai Keung
(resigned on 6th August, 2003)
Mr. Ha Yue Fuen, Henry
(resigned on 6th August, 2003)

Company Secretary

Mr. Choy Kai Sing
Mr. Ho Wai Yu, Sammy
(resigned on 6th August, 2003)

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

24th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
www.daidohk.com

Auditors

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

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank
Hang Seng Bank Limited

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre
183 Queen's Road East
Hong Kong

INTERIM RESULTS

The board of directors (the "Board") of Daido Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2003 together with the comparative unaudited figures for the corresponding period in 2002 as follows:

Condensed Consolidated Income Statement

For the six months ended 30th June, 2003

	Notes	Six months ended 30th June,	
		2003 HK\$'000 (unaudited)	2002 HK\$'000 (unaudited) (restated)
Turnover	3	88,564	87,871
Direct costs		(51,936)	(61,835)
		36,628	26,036
Other operating income		464	1,058
Interest income		488	584
Selling and distribution costs		(2,111)	(3,655)
Administrative expenses		(12,426)	(13,045)
Allowance for bad and doubtful debts		-	(97)
Write back of allowance for bad and doubtful debts		570	2,487
Amortisation of goodwill		(51)	-
Profit from operations	4	23,562	13,368
Finance costs	5	(6,100)	(556)
Profit before taxation		17,462	12,812
Taxation	6	(4,774)	(1,800)
Net profit for the period		12,688	11,012
Dividend	7	(9,000)	(9,000)
Earnings per share	8		
Basic		0.423 cents	0.367 cents
Diluted		0.423 cents	0.366 cents

Condensed Consolidated Balance Sheet

At 30th June, 2003

	Notes	30th June, 2003 HK\$'000 (unaudited)	31st December, 2002 HK\$'000 (audited) (restated)
Non-current Assets			
Investment properties	9	505,986	–
Property, plant and equipment	10	114,730	119,338
Goodwill		5,501	–
Long-term receivables		4,204	3,439
Rental deposits and other assets		568	629
Deferred tax assets		–	4,320
		<u>630,989</u>	<u>127,726</u>
Current Assets			
Inventories	11	24,335	18,082
Trade and other receivables	12	59,891	51,015
Amounts due from customers for contract work		72	79
Amounts due from fellow subsidiaries		866	791
Tax recoverable		371	438
Bank balances and cash		24,737	36,036
		<u>110,272</u>	<u>106,441</u>
Current Liabilities			
Amounts due to customers for contract work		14,707	21,961
Trade and other payables	13	26,342	19,161
Amounts due to fellow subsidiaries		3,048	202
Borrowings due within one year	14	159,199	2,289
Obligations under finance leases		3,966	4,080
Unclaimed dividends		108	12
		<u>207,370</u>	<u>47,705</u>
Net Current (Liabilities) Assets		<u>(97,098)</u>	<u>58,736</u>
		<u>533,891</u>	<u>186,462</u>

Condensed Consolidated Balance Sheet (Cont'd)

At 30th June, 2003

		30th June, 2003	31st December, 2002
	Note	HK\$'000	HK\$'000
		(unaudited)	(audited) (restated)
<hr/>			
Capital and Reserves			
Share capital		30,000	30,000
Reserves		149,540	145,852
		<hr/>	<hr/>
		179,540	175,852
		<hr/>	<hr/>
Non-current Liabilities			
Borrowings due after one year	14	338,140	–
Obligations under finance leases		3,178	5,084
Deferred tax liabilities		13,033	5,526
		<hr/>	<hr/>
		354,351	10,610
		<hr/>	<hr/>
		533,891	186,462
		<hr/>	<hr/>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2003

	Share capital HK\$'000	Goodwill reserve HK\$'000	Negative goodwill HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2002						
– as originally stated	30,000	(11,069)	29	1,291,271	(1,143,678)	166,553
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	–	2,016	2,016
	30,000	(11,069)	29	1,291,271	(1,141,662)	168,569
Net profit for the year						
– as originally stated	–	–	–	–	18,356	18,356
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	–	(2,073)	(2,073)
Dividend paid	–	–	–	–	(9,000)	(9,000)
At 31st December, 2002	30,000	(11,069)	29	1,291,271	(1,134,379)	175,852
Net profit for the period	–	–	–	–	12,688	12,688
Dividend paid	–	–	–	–	(9,000)	(9,000)
At 30th June, 2003	30,000	(11,069)	29	1,291,271	(1,130,691)	179,540

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2003

	Six months ended 30th June,	
	2003 <i>HK\$'000</i> (unaudited)	2002 <i>HK\$'000</i> (unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	6,472	(4,776)
TAX REFUNDED	–	282
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(74,110)	806
NET CASH FROM (USED IN) FINANCING ACTIVITIES	53,122	(5,634)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,516)	(9,322)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	36,036	44,176
CASH AND CASH EQUIVALENTS AT 30TH JUNE	21,520	34,854
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	24,737	34,854
Bank overdrafts	(3,217)	–
	21,520	34,854

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those followed in the preparation of the Group annual financial statements for the year ended 31st December, 2002, except as described below.

Income taxes

In the current interim period, the Group has adopted SSAP 12 (Revised) "Income taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the condensed financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

Comparative amounts for 2002 have been restated accordingly. As a result of this change in policy, the opening balance on accumulated losses at 1st January, 2003 has been increased by HK\$57,000 (1st January, 2002: decreased by HK\$2,016,000). The profit for the six months ended 30th June, 2003 has been decreased by HK\$4,320,000 (six months ended 30th June, 2002: HK\$1,252,000).

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2003, analysed by business segment and by geographical segment, are as follows:

By business segment:

For the six months ended 30th June, 2003

	Continuing operations		Discontinuing operations			Eliminations HK\$'000	Consolidated HK\$'000
	Construction work contracting and sales of concrete products HK\$'000	Property investment HK\$'000	Sales of steel products HK\$'000	Manufacturing and sales of metal products HK\$'000			
REVENUE							
External sales	40,577	13,400	145	34,442	-		88,564
Inter-segment sales	-	-	-	2,687	(2,687)		-
Total revenue	40,577	13,400	145	37,129	(2,687)		88,564
SEGMENT RESULT	19,615	1,382	(37)	3,475	-		24,435
Unallocated corporate revenue							-
Unallocated corporate expenses							(873)
Profit from operations							23,562

For the six months ended 30th June, 2002

	Continuing operations		Discontinuing operations			Eliminations HK\$'000	Consolidated HK\$'000
	Construction work contracting and sales of concrete products HK\$'000	Property investment HK\$'000	Sales of steel products HK\$'000	Manufacturing and sales of metal products HK\$'000			
REVENUE							
External sales	35,025	-	21,795	31,051	-		87,871
Inter-segment sales	-	-	-	1,555	(1,555)		-
Total revenue	35,025	-	21,795	32,606	(1,555)		87,871
SEGMENT RESULT	10,026	-	615	3,611	-		14,252
Unallocated corporate revenue							229
Unallocated corporate expenses							(1,113)
Profit from operations							13,368

3. SEGMENT INFORMATION (Cont'd)

By geographical segment:

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

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

4. PROFIT FROM OPERATIONS

During the period, depreciation of approximately HK\$5,074,000 (six months ended 30.6.2002: HK\$5,304,000) was charged to the income statement in respect of the Group's property, plant and equipment.

5. FINANCE COSTS

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Interest on bank and other loans wholly repayable within five years	3,432	224
Interest on bank and other loans wholly repayable after five years	2,466	-
Interest on finance leases	202	332
	<u>6,100</u>	<u>556</u>

6. TAXATION

	Six months ended	
	30th June,	
	2003	2002
	HK\$'000	HK\$'000
<hr/>		
The charge comprises:		
Hong Kong Profits Tax		
Current period	66	548
Underprovision in prior period	3	–
	<hr/>	<hr/>
	69	548
Deferred taxation		
Current period	4,705	1,252
	<hr/>	<hr/>
	4,774	1,800
	<hr/>	<hr/>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the period.

The charge for the period to Hong Kong Profits Tax has been partly relieved by the tax losses brought forward from previous years.

7. DIVIDEND

On 16th June, 2003, a dividend of HK\$0.003 per share was paid to shareholders as the final dividend for the year ended 31st December, 2002.

On 26th June, 2002, a dividend of HK\$0.003 per share was paid to shareholders as the final dividend for the year ended 31st December, 2001.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2003.

8. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2003 HK\$'000	2002 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>12,688</u>	<u>11,012</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000,000	3,000,000,000
Effect of dilutive share options	<u>–</u>	<u>4,936,133</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,000,000,000</u>	<u>3,004,936,133</u>

9. INVESTMENT PROPERTIES

During the period, the Group acquired investment properties at net book value of HK\$505,986,000 on acquisition of subsidiaries.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$483,000 on the acquisition of assets in order to facilitate its manufacturing capabilities.

11. INVENTORIES

Included in inventories are finished goods of HK\$345,000 (31.12.2002: 1,144,000) which are carried at net realisable value.

12. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of HK\$35,974,000 (31.12.2002: HK\$26,072,000) with an aged analysis as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 – 30 days	14,887	15,839
31 – 60 days	10,677	5,207
61 – 90 days	5,416	2,176
91 – 120 days	2,517	1,033
More than 120 days	2,477	1,817
	<u>35,974</u>	<u>26,072</u>

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$6,395,000 (31.12.2002: HK\$4,979,000) with an aged analysis as follows:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
0 – 30 days	2,421	3,509
31 – 60 days	3,110	1,168
61 – 90 days	800	215
91 – 120 days	–	–
More than 120 days	64	87
	<u>6,395</u>	<u>4,979</u>

14. BORROWINGS

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Unsecured	9,199	2,289
Secured	488,140	–
	497,339	2,289
<i>Less: amount due within one year shown under current liabilities</i>	(159,199)	(2,289)
Amounts due after one year	338,140	–

During the period, the Group obtained new bank and other loans of HK\$501,640,000 of which HK\$426,640,000 are through acquisition of subsidiaries. The loans bear interest at market rates and are repayable by instalments over five years. The proceeds were used to finance the acquisition of the subsidiaries and the investment properties.

15. PLEDGE OF ASSETS

At 30th June, 2003, the Group has pledged the following assets to bank and financial institutions as securities against credit facilities granted to the Group:

	30th June, 2003 HK\$'000	31st December, 2002 HK\$'000
Investment properties	505,986	–

In addition, the Group has pledged the shares of certain of its subsidiaries with carrying value of approximately HK\$74,000,000, representing the Group's 100% interest in these subsidiaries.

16. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired 100% of the issued share capital of Lubrano Properties Limited for cash consideration of HK\$75,635,000.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Investment properties	505,986
Other receivables	967
Cash at bank	4
Borrowings	(426,640)
Other payables	(3,111)
Deferred tax	(7,123)
	<hr/>
Net assets acquired	70,083
Goodwill arising on acquisition	5,552
	<hr/>
Cash consideration	75,635
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Net cash outflow arising on acquisition	
Cash consideration	75,635
Bank balances and cash acquired	(4)
	<hr/>
	75,631
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Lubrano Properties Limited contributed HK\$13,400,000 to the Group's turnover and HK\$1,363,000 to Group's profit from operations during the interim period.

17. CONTINGENT LIABILITIES

At the balance sheet date, certain subsidiaries have been named as defendant in High Court actions in respect of certain injury claims from the workers with accidents occurred in 1999 and 2000. At the date of this report, the injury claims amounted to approximately HK\$11,000,000. The directors are of the opinion that the claims are to be indemnified by insurers of the main contractors of the relevant projects or covered by insurance policy of the Group, accordingly no provision has been made in the financial statements.

18. DISCONTINUING OPERATIONS AND POST BALANCE SHEET EVENTS

Subsequent to the interim reporting date, the Group completed its negotiations with Worldlight Group Limited, a direct wholly-owned subsidiary of Golik Holdings Limited, the ultimate holding company of the Company, for the disposal of certain subsidiaries. The transactions were completed on 9th July, 2003 at a total consideration of approximately HK\$100,000,000 which resulted in a loss on disposal of subsidiaries of approximately HK\$12,000,000. Details of the transactions are set out in the circular of the Company dated 13th June, 2003.

The subsidiaries disposed of principally carried out all of the Group's manufacturing and sales of metal products and sales of steel products.

The results of the operations for the interim reporting period are as follows:

	Six months ended	
	30th June,	
	2003	2002
	HK\$'000	HK\$'000
Turnover	37,274	54,401
Cost of sales	(31,381)	(46,149)
Gross profit	5,893	8,252
Other operating income	22	86
Interest income	9	19
Selling and distribution costs	(177)	(1,445)
Administrative expenses	(2,309)	(2,686)
Profit from operations	3,438	4,226
Finance costs	(113)	(333)
Profit before taxation	3,325	3,893
Taxation	(66)	(548)
Net profit for the period	<u>3,259</u>	<u>3,345</u>

During the six months ended 30th June, 2003, the subsidiaries to be disposed of contributed HK\$3,512,000 (2002: HK\$11,574,000) to the Group's net operating cash flows, utilised HK\$138,000 (2002: HK\$601,000) in respect of investing activities and raised HK\$3,247,000 (2002: HK\$5,709,000) in respect of financing activities.

18. **DISCONTINUING OPERATIONS AND POST BALANCE SHEET EVENTS**
(Cont'd)

The carrying amounts of the assets and liabilities of the manufacturing and sales of metal products and sales of steel products operations are as follows:

	30th June, 2003	31st December, 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	<u>50,582</u>	<u>47,280</u>
Total liabilities	<u>18,278</u>	<u>14,220</u>

INTERIM DIVIDEND

The Board of the Company has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2003 (2002: Nil).

BUSINESS REVIEW

During the first half of 2003, the outbreak of the Severe Acute Respiratory Syndrome ("SARS") adversely affected the economy in Hong Kong and the PRC. The construction and property market was particularly impacted by the SARS and the economic downturn. Many construction projects were delayed or even scrapped. The Group has implemented strategic plans in order to minimize the impact of the unfavourable external factors. Such plans included diversification of clientele, consolidation of business and restructuring of operations. On the other hand, the Group also exercised prudent cost control internally to further contain the expenses.

Autoclaved Aerated Lightweight Concrete ("ALC") Products

The quantity of ALC products delivered during the period under review decreased by approximately 11% over the corresponding period of last year. The industry competition was intensified which further undermined the profit margin.

Investment in Cold Storage Warehouse

The strategic move to the investment in two cold storage warehouses located at Kwai Chung contributes approximately 15% and approximately 6% to the Group's turnover and profit from operations respectively during the period under review.

Welded Wire Mesh, Cold Drawn Wire and Expanded Metal Products

The turnover of the product recorded an increase of approximately 11% when compared with the corresponding period in 2002. The increase in turnover was mainly attributed by the commencement of several new infrastructure projects during the period under review.

Semi-Precast Concrete Slab

With its easy installation and accurate sizing, the product received satisfactory market response. However, price competition intensified among providers in the PRC during the period under review, thus affected the profit contribution to the Group. The product was approved by the Housing Authority and was regarded as standard material in future construction projects. The Group's product was much more competitive than those supplied by the manufacturers in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2003, the Group's consolidated shareholders' equity was approximately HK\$180 million, representing approximately 2% increase over prior year. As at 30th June, 2003, the Group's cash and bank deposits were approximately HK\$25 million and aggregated interest-bearing borrowings were approximately HK\$504 million, of which approximately HK\$341 million were due over one year.

The business operation was generally financed by the Group's internal funding and bank borrowings.

The Group's monetary assets are principally denominated in Hong Kong dollars and United States dollars. The Group believes that its exposure to exchange rate risk is not material due to the currency peg of Hong Kong dollars and United State dollars.

The gearing ratio of the Group calculated by aggregated interest-bearing borrowings divided by capital employed at the balance sheet date was approximately 74%.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company.

EMPLOYMENT AND REMUNERATION POLICY

For the period ended 30th June, 2003, the total number of staff of the Group in Hong Kong was approximately 178. In addition to the set up of share options scheme, the Group also provided Mandatory Provident Fund entitlement to its employees.

FUTURE PROSPECTS

The Group believes that environmental protection will become an important concern in the construction market in Hong Kong, but the effect is still under observation. All the products of the Group are environmental friendly construction materials and are thus fully conform to standards. Looking ahead, with the tighten environmental restriction, the Group believes that the demand for environmental friendly materials will increase.

Pursuant to the completion of the share acquisition of the Group by Top Synergy Associates Limited, the Group has restructured its business. The operations of the manufacture of semi-precast concrete slab and welded wire mesh, cold drawn wire and expanded metal products would be taken over by Golik Holdings Limited, the former controlling shareholder of the Group. The Group will concentrate its business on autoclaved aerated lightweight concrete blocks and panels and progressively diversify its business so as to make the Group becomes one of the most active construction related groups in the territory. On the other hand, the investment in the cold storage industry is one of the strategic moves of the Group. Leveraging on the thriving logistics industry in the Pearl River Delta, the Group believes that the investment will bring fruitful results to the Group as well as to its shareholders.

POST BALANCE SHEET EVENTS

Change of Directors

With effect from 6th August, 2003, Messrs. Pang Tak Chung, Akiyoshi Kubota, Ho Wai Yu, Sammy, Robert Keith Davies, Choy Kai Sing, Brian Edward Tarling, Masahiro Taguchi, Ge Qin, To Wai Keung and Ha Yue Fuen, Henry have resigned as directors from the Board of the Company and Mr. Ho Wai Yu, Sammy has resigned as the company secretary of the Company. Messrs. To Shu Fai, Wong Wai Hung, Frankie and Tang Tsz Man, Philip have been appointed as executive directors of the Company and Messrs. Tse Yuen Ming, Valent and Kwok Shun On have been appointed as independent non-executive directors of the Company. Mr. Choy Kai Sing has been appointed as the company secretary of the Company. With effect from 4th September, 2003, Mr. Leung Chi Hung has been appointed as independent non-executive director of the Company.

Placing of shares

On 25th August, 2003 and 28th August, 2003, through TingKong-RexCapital Securities International Limited, a total of 380,000,000 shares of the Company were placed by Top Synergy Associates Limited. As a result of the placing, Top Synergy Associates Limited became interested in a total of 2,223,231,329 shares of the Company, representing approximately 74.11% of the then issued share capital of the Company, while the public shareholders held approximately 25.89% of the then issued share capital of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2003, the interests and short positions of the directors of the Company or their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange were as follows:

(1) Shares

(i) the Company

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

(ii) Golik Holdings Limited ("GHL")

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

(1) **Shares** (*Cont'd*)

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

As at 30th June, 2003, Mr. Pang Tak Chung had personal and corporate interests in 5,850 and 20,000 non-voting deferred shares respectively in Golik Metal Industrial Company Limited. The corporate interest was held by World Producer Limited.

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 are 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

Pursuant to the share option scheme of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000, the following directors of the Company were granted the following numbers of option shares to subscribe for ordinary shares of HK\$0.01 each in the share capital of the Company:

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options as at 1.1.2003	Number of share options as at 30.6.2003
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	50,000,000	0
Mr. Akiyoshi Kubota	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	30,000,000	0
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000	0
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000	0
Mr. Choy Kai Sing	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	15,000,000	0

No share option was granted or exercised during the period. The share options granted have been lapsed on 16th May, 2003.

Save as disclosed above, as at 30th June, 2003, none of the directors of the Company or their respective associates had or was deemed to have any interests or short positions in any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2003, so far as known to any director of the Company, the following persons, other than the directors of the Company whose interests are disclosed above, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Name	Number of shares
Worldlight Group Limited (Note 1)	1,833,447,564
Sankyo Sekiyu Co. Limited (Note 2)	394,634,000
Iwasaki Sangyo Co. Ltd.	194,955,000

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 are owned by Mr. Pang Tak Chung and Mr. Robert Keith Davies respectively.
2. 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.

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Save as disclosed above, the Company has not been notified of any other persons holding any interests or short positions in shares, underlying shares or debentures of the Company which were required to be disclosed pursuant to the SFO as at 30th June, 2003.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th June, 2003 with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except that the 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.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Company for the six months ended 30th June, 2003.

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 six months ended 30th June, 2003.

APPRECIATION

We would like to take this opportunity to express our sincere thanks to the staff of the Group for their dedication and hard work. We would also like to thank our shareholders, customers, bankers and business associates for their unfailing support during the period. With their continuous efforts and contribution, we can continue the encouraging results.

By Order of the Board
To Shu Fai
Chairman

Hong Kong, 10th September, 2003