

The logo for GOLIK HOLDINGS LIMITED is presented in a minimalist, grey, sans-serif font. The letters 'G', 'O', and 'L' are significantly larger than the other characters. The text is centered horizontally and overlaid on a background of thin, light grey vertical and horizontal lines that form a grid pattern.

GOLIK HOLDINGS LIMITED

INTERIM
REPORT
2003

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

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Head Office and Principal Place of Business

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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
DBS Bank (Hong Kong) Limited
HSH Nordbank AG, 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
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INTERIM RESULTS

The Board of Directors of Golik Holdings 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

		Six months ended 30th June,	
		2003	2002
		(unaudited)	(unaudited)
			(restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	3	856,551	571,663
Cost of sales		(741,554)	(458,005)
Gross profit		114,997	113,658
Other operating income		36,882	8,870
Interest income		2,080	1,897
Profit on disposal of investment in a security		2,000	—
Selling and distribution costs		(31,040)	(22,370)
Administrative expenses		(61,326)	(58,437)
Amortisation of goodwill		(2,385)	(262)
Release of negative goodwill		325	244
Profit from operations	4	61,533	43,600
Finance costs	5	(15,943)	(7,783)
Share of results of a jointly controlled entity		(111)	—
Profit before taxation		45,479	35,817
Income tax expense	6	(7,213)	(5,130)
Profit after taxation		38,266	30,687
Minority interests		(13,761)	(11,202)
Net profit for the period		24,505	19,485
Dividend	7	14,184	11,347
Earnings per share	8		
Basic		4.32 cents	3.43 cents
Diluted		N/A	3.30 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2003

		30.6.2003 (unaudited)	31.12.2002 (audited) (restated)
	Notes	HK\$'000	HK\$'000
Non-current Assets			
Goodwill (negative goodwill)		32,239	28,747
Investment properties	9	551,086	45,100
Property, plant and equipment	9	434,082	420,674
Interest in a jointly controlled entity		1,146	1,257
Investment in a security		—	5,000
Deferred tax assets		—	4,320
Long-term receivables		5,773	5,305
Rental deposits and other assets		778	1,065
		<u>1,025,104</u>	<u>511,468</u>
Current Assets			
Inventories	10	292,704	246,438
Trade and other receivables	11	578,563	447,407
Amounts due from customers for contract work		72	79
Amounts due from minority shareholders		71	—
Tax recoverable		518	613
Pledged bank deposits		13,645	14,536
Bank balances and cash		114,588	106,025
		<u>1,000,161</u>	<u>815,098</u>
Current Liabilities			
Amounts due to customers for contract work		14,707	21,961
Trade and other payables	12	197,432	183,288
Amounts due to minority shareholders		9,230	16,100
Tax payable		9,268	7,484
Bank and other borrowings	13	636,424	394,519
Obligations under finance leases		6,066	6,083
		<u>873,127</u>	<u>629,435</u>
Net Current Assets		<u>127,034</u>	<u>185,663</u>
		<u>1,152,138</u>	<u>697,131</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

At 30th June, 2003

		30.6.2003 (unaudited)	31.12.2002 (audited) (restated)
	Notes	HK\$'000	HK\$'000
Capital and Reserves			
Share capital	14	56,736	56,736
Reserves		378,367	368,163
		<u>435,103</u>	<u>424,899</u>
Minority interests		<u>178,975</u>	<u>151,854</u>
Non-current Liabilities			
Deferred tax liabilities		18,713	10,852
Bank and other borrowings	13	509,179	96,787
Obligations under finance leases		10,031	12,739
Long-term payables		137	—
		<u>538,060</u>	<u>120,378</u>
		<u>1,152,138</u>	<u>697,131</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2003

	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
At 1st January, 2002							
— as originally stated	56,736	318,118	19,367	(187,900)	267	187,817	394,405
— adjustment on adoption of SSAP 12 (Revised)	—	—	—	11,611	—	(12,612)	(1,001)
— as restated	56,736	318,118	19,367	(176,289)	267	175,205	393,404
Exchange difference arising from the translation of overseas subsidiaries not recognised in the consolidated income statement	—	—	—	—	(239)	—	(239)
Net profit for the period	—	—	—	—	—	19,485	19,485
Dividend paid	—	—	—	—	—	(11,347)	(11,347)
At 30th June, 2002	56,736	318,118	19,367	(176,289)	28	183,343	401,303
Exchange difference arising from the translation of overseas subsidiaries not recognised in the consolidated income statement	—	—	—	—	292	—	292
Realised on deemed disposal of interest in a subsidiary to minority shareholders	—	—	—	4,113	—	—	4,113
Net profit for the period	—	—	—	—	—	19,191	19,191
At 31st December, 2002	56,736	318,118	19,367	(172,176)	320	202,534	424,899
Exchange difference arising from the translation of overseas subsidiaries not recognised in the consolidated income statement	—	—	—	—	(117)	—	(117)
Net profit for the period	—	—	—	—	—	24,505	24,505
Dividend paid	—	—	—	—	—	(14,184)	(14,184)
At 30th June, 2003	56,736	318,118	19,367	(172,176)	203	212,855	435,103

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2003

	Six months ended 30th June, 2003 (unaudited) HK\$'000	2002 (unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(90,779)	(63,546)
NET CASH USED IN INVESTING ACTIVITIES	(105,014)	(19,424)
NET CASH FROM FINANCING ACTIVITIES	<u>212,225</u>	<u>83,545</u>
INCREASE IN CASH AND CASH EQUIVALENTS	16,432	575
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	84,683	104,560
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>184</u>	<u>(257)</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>101,299</u>	<u>104,878</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	114,588	115,640
Bank overdrafts	<u>(13,289)</u>	<u>(10,762)</u>
	<u>101,299</u>	<u>104,878</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2003

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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with Statement of Standard Accounting Practice ("SSAP") No. 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 as modified for the revaluation of investment properties.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2002 except that the Group had adopted SSAP 12 (Revised) "Income taxes" which is effective for accounting periods commencing on or after 1st January, 2003.

Income taxes

The principal effect of the adoption 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 under which 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 amounts 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 profit for the six months ended 30th June, 2003 has been decreased by HK\$2,682,000 (six months ended 30th June, 2002: HK\$1,308,000).

2. **PRINCIPAL ACCOUNTING POLICIES** (Continued)

The financial effect on the adoption of SSAP 12 (Revised) as at 1st January, 2003 and 2002 are summarised below:

	As originally stated HK\$'000	Effect on adoption of SSAP 12 (Revised) HK\$'000	As restated HK\$'000
At 1st January, 2003			
Goodwill (negative goodwill)	30,742	(1,995)	28,747
Deferred tax assets	—	4,320	4,320
Deferred tax liabilities	(4,700)	(6,152)	(10,852)
Minority interests	(152,262)	408	(151,854)
Goodwill reserve	183,921	(11,745)	172,176
Accumulated profits	<u>(217,698)</u>	<u>15,164</u>	<u>(202,534)</u>
At 1st January, 2002			
Goodwill (negative goodwill)	(6,147)	(2,080)	(8,227)
Deferred tax assets	—	7,835	7,835
Deferred tax liabilities	(4,660)	(6,224)	(10,884)
Minority interests	(115,658)	(532)	(116,190)
Goodwill reserve	187,900	(11,611)	176,289
Accumulated profits	<u>(187,817)</u>	<u>12,612</u>	<u>(175,205)</u>

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 segments are as follows:

The enterprise's primary format for reporting segment information is business segment.

For the six months ended 30th June, 2003

	Continuing Operations					Discontinuing Operations			Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	
REVENUE									
External sales	358,747	28,821	119,274	255,053	60,478	34,178	—	—	856,551
Inter-segment sales	7,595	106,686	4,821	23,276	—	—	—	(142,378)	—
Total revenue	<u>366,342</u>	<u>135,507</u>	<u>124,095</u>	<u>278,329</u>	<u>60,478</u>	<u>34,178</u>	<u>—</u>	<u>(142,378)</u>	<u>856,551</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.									
SEGMENT RESULT	<u>29,351</u>	<u>1,554</u>	<u>4,489</u>	<u>3,469</u>	<u>2,768</u>	<u>23,380</u>	<u>1,382</u>	<u>(203)</u>	66,190
Amortisation of goodwill									(2,385)
Release of negative goodwill									325
Unallocated other operating income									10,636
Unallocated corporate expenses									<u>(13,233)</u>
Profit from operations									<u>61,533</u>

For the six months ended 30th June, 2002

	Continuing Operations					Discontinuing Operations			Consolidated HK\$'000
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	
REVENUE									
External sales	264,145	76,961	100,585	94,947	—	35,025	—	—	571,663
Inter-segment sales	4,365	22,202	2,665	8,851	—	—	—	(38,083)	—
Total revenue	<u>268,510</u>	<u>99,163</u>	<u>103,250</u>	<u>103,798</u>	<u>—</u>	<u>35,025</u>	<u>—</u>	<u>(38,083)</u>	<u>571,663</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.									
SEGMENT RESULT	<u>33,557</u>	<u>(2,382)</u>	<u>(3,789)</u>	<u>2,436</u>	<u>—</u>	<u>21,396</u>	<u>—</u>	<u>(5)</u>	51,213
Amortisation of goodwill									(262)
Release of negative goodwill									244
Unallocated other operating income									4,612
Unallocated corporate expenses									<u>(12,207)</u>
Profit from operations									<u>43,600</u>

4. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation		
— owned assets	18,183	12,629
— assets held under finance leases	1,118	1,061
(Gain) loss on disposal of property, plant and equipment	(17)	74
Rental income	<u>(15,075)</u>	<u>(1,973)</u>

5. FINANCE COSTS

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	9,383	6,846
Bank borrowings not wholly repayable within five years	2,801	343
Finance leases	440	382
Other borrowings wholly repayable within five years	<u>3,559</u>	<u>212</u>
Total borrowing costs	16,183	7,783
Less: amount capitalised in assets under installation	<u>(240)</u>	<u>—</u>
	<u>15,943</u>	<u>7,783</u>

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

6. INCOME TAX EXPENSE

	Six months ended 30th June,	
	2003	2002
	HK\$'000	HK\$'000
Current tax:		
Hong Kong	1,955	3,355
Other jurisdictions	<u>211</u>	<u>21</u>
	<u>2,166</u>	<u>3,376</u>
Deferred tax:		
Current period	4,883	1,754
Attributable to change in tax rate in Hong Kong	<u>164</u>	<u>—</u>
	<u>5,047</u>	<u>1,754</u>
	<u>7,213</u>	<u>5,130</u>

6. INCOME TAX EXPENSE (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the six months ended 30th June, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 30th June, 2003.

7. DIVIDEND

On 26th June, 2002, a dividend of 2 HK cents per share, amounting to HK\$11,347,000, was paid to shareholders as the final dividend for the year ended 31st December, 2001.

On 23rd June, 2003, a dividend of 2.5 HK cents per share, amounting to HK\$14,184,000, was paid to shareholders as the final dividend for the year ended 31st December, 2002.

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		
Earnings for the purpose of basic earnings per share	24,505	19,485
Adjustment to the share of result of subsidiaries based on the effect of dilutive share options	—	(775)
Earnings for the purpose of diluted earnings per share	<u>24,505</u>	<u>18,710</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>567,362,500</u>	<u>567,362,500</u>

No diluted earnings per share has been presented for the six months ended 30th June, 2003 because the exercise price of the share options of the Company's subsidiary was higher than the average market price for share.

9. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired investment properties at net book value of HK\$506 million upon acquisition of subsidiaries.

In addition, the Group spent approximately HK\$33 million on the acquisition of assets in order to facilitate its manufacturing capabilities.

10. INVENTORIES

Included in inventories are raw materials of HK\$1,958,000 (31.12.2002: HK\$491,000), work in progress of HK\$193,000 (31.12.2002: HK\$824,000), finished goods of HK\$6,630,000 (31.12.2002: HK\$2,888,000) and supplies of HK\$665,000 (31.12.2002: Nil) which are carried at net realisable value.

11. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from cash on delivery to 180 days to its customers.

Included in trade and other receivables are trade receivables of HK\$467,116,000 (31.12.2002: HK\$371,639,000) with an aged analysis as follows:

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
0 — 30 days	168,999	141,459
31 — 60 days	118,028	105,251
61 — 90 days	77,244	53,653
91 — 120 days	33,860	30,023
More than 120 days	68,985	41,253
	<u>467,116</u>	<u>371,639</u>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$93,798,000 (31.12.2002: HK\$75,306,000) with an aged analysis as follows:

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
0 — 30 days	61,917	40,512
31 — 60 days	15,950	15,459
61 — 90 days	9,557	10,529
91 — 120 days	2,970	5,726
More than 120 days	3,404	3,080
	<u>93,798</u>	<u>75,306</u>

13. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other loans in the amount of HK\$789 million of which HK\$427 million are through the acquisition of subsidiaries and repaid bank and other loans of HK\$132 million.

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 31st December, 2002 and 30th June, 2003	1,800,000,000	180,000
Issued and fully paid:		
At 31st December, 2002 and 30th June, 2003	567,362,500	56,736

15. PLEDGE OF ASSETS

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

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Investment properties	551,086	45,100
Land and buildings	71,914	72,765
Furniture and fixtures	121	121
Motor vehicles	27	35
Plant and machinery and equipment	48,677	6,078
Assets under installation	13,566	5,712
Bank deposits	13,645	14,536
	699,036	144,347

In addition,

- (1) the Group has pledged the shares of certain of its subsidiaries with carrying value of approximately HK\$45,221,000, representing the Group's 61.11% interest in these subsidiaries. At 31st December, 2002, the Group had pledged the shares of another subsidiary with market value of HK\$51,102,000, representing the Group's 50.1% interest in this subsidiary. All shares are pledged as securities against credit facilities granted to the Group for the period/year.
- (2) the Group has created a floating charge over other assets with a carrying value of HK\$19,315,000 (31.12.2002: HK\$15,569,000) to banks as securities against banking facilities granted to the Group.
- (3) at 31st December, 2002, the property, plant and equipment of the Group of RMB27,235,000 were seized by a court in the People's Republic of China as a result of a court case in respect of default in repayment of bank borrowings. The bank borrowings have been repaid before 31st December, 2002 and the seizure was released on 7th January, 2003.

16. CAPITAL COMMITMENTS

	30.6.2003 HK\$'000	31.12.2002 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	4,010	7,147

At the balance sheet date, certain subsidiaries of the Group had entered into agreements to invest RMB2,266,000 (31.12.2002: RMB4,276,000) in sino-foreign joint ventures in the People's Republic of China.

17. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired 61.11% 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:

	HK\$'000
Investment properties	505,986
Other receivables	967
Cash at bank	4
Borrowings	(426,640)
Other payables	(3,111)
Deferred tax liabilities	(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
	<hr/>

Lubrano Properties Limited contributed HK\$1,363,000 to the Group's profit from operations during the interim period and did not have any significant contribution to the turnover of the Group.

18. DISCONTINUING OPERATIONS AND POST BALANCE SHEET EVENT

On 15th May, 2003, the Group entered into a sale agreement to dispose the 61.11% interest in Daido Group Limited ("Daido") and its subsidiaries for a consideration of HK\$91,672,378 and acquired the entire issued share capital of certain subsidiaries of Daido for a consideration of HK\$100,479,422. The subsidiaries disposed of principally carried out all of the Group's construction work contracting and sales of ALC concrete products operation and property investment operation.

The turnover and the profit after taxation of the operations for the interim reporting period were HK\$34,178,000 (2002: HK\$35,025,000) and HK\$21,312,000 (2002: HK\$20,868,000) respectively.

During the six months ended 30th June, 2003, the operations utilised HK\$66,901,000 (2002: contributed HK\$2,954,000) in respect of the Group's net operating cash flows, utilised HK\$86,000 (2002: contributed HK\$851,000) in respect of investing activities and utilised HK\$15,581,000 (2002: HK\$2,034,000) in respect of financing activities.

The disposal has been completed on 9th July, 2003, on which date control of Daido passed to the acquirer. A loss of HK\$20,052,000 was incurred on the disposal of Daido. Details of the disposal and acquisition are set out in the circular dated 13th June, 2003 issued to the shareholders of the Company.

BUSINESS REVIEW

During the first half of 2003, Hong Kong economy and the housing construction industry remained sluggish, especially after the cancellation of the 85,000 housing policy. In order to attain a steady business growth, the Group not only focused on strengthening the internal operation management, but also continued to execute the Group's strategy in business restructuring for better development of its Value-Added Steel Products industry in the PRC. Despite the unfavourable effect brought by the outbreak of Severe Acute Respiratory Syndrome (SARS) during March and April, the Group still managed to achieve an increase in its overall turnover and profit after tax of 49.83% and 24.70% respectively when compared to the corresponding period of last year.

Steel And Metal Products

(1) Steel Coil Processing

Following the gradual downward movement in the price level of steel coil products, together with the outbreak of SARS during March and April, overall export order quantity for consumer products recorded a slight decrease. Profit contribution of this operation decreased when compared with the same period of last year, however reasonable profit for the Group was still achieved.

The Group's 70,000 tons annual capacity steel coil coating factory in Changzhou, Jiangsu was under satisfactory development and had gone through test run successfully in August 2003. The coating plant is expected to start production and contribute in early 2004 after a 3 to 6 months' production trial.

(2) Wire Processing (Steel Wires and Strands)

Stable business development was shown in the steel wire rope factory in Heshan, Guangdong and the elevator rope factory in Tianjin, Hebei Province. The production and sales volume of the Tianjin elevator rope factory during the first half of 2003 reached a record since commencement. Apart from the cost of raw materials, all other cost had been managed to the lowest by the management.

Installation of the new production line for PC steel strands factory in Tianjin was completed in March and had already started production. Satisfactory orders were received.

From 2003 onward, price of raw materials for the wire rope business experienced a rapid increase, which caused an upsurge in the production cost and finally affected the business profit margin. However, the overall performance and prospect are promising and optimistic.

Construction Materials Products

Owing to the continuing economic downturn and sluggish construction industry, performance of the Group's construction material products could not achieve well. However, change in product emphasis has obtained good improvement. With respect to this business segment, the Group would focus on operating big item construction products such as Steel Bar and Ready Mixed Concrete that are more benefited by infrastructure projects.

(1) Steel Re-bars Stockholding and Distribution

The Group was one of the largest operators for stockholding and distributing steel reinforcement bars. During the period under review, high steel price and incompleting low price sales contracts signed previously dented the performance of this operation. However, better development is forecasted in 2004.

(2) Ready Mixed Concrete and Concrete Products

The Group's ready mixed concrete factory in Lautau Island was completed construction work in August 2003 and is expected to start production in the fourth quarter of the year.

Acquired by the Group in the end of 2002, Guangzhou's ready mixed concrete factory with an annual capacity of 400,000 cubic meters have been operating smoothly and generating stable return for the Group. Being a beginner in the ready mixed concrete market in the PRC, the Group expects to spend a year to get acquainted of the market and manage smoothly of the operation before taking further expansion to develop this business sector in the PRC.

The concrete business is still in the initial stage and is estimated to generate satisfactory contribution to the Group in 2004.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. As at 30th June, 2003, the Group's cash and bank balances reached HK\$128,000,000. As at 30th June, 2003, current ratio (current assets to current liabilities) for the Group was 1:15. As at 30th June, 2003, interest-bearing borrowings for the Group was approximately HK\$1,162,000,000.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and the 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 rate risk is not material.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company. As at 30th June, 2003, shareholders' equity reached HK\$435,000,000.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June 2003, the total number of staff of the Group in Hong Kong and the PRC was 1,469. The Group also provides Mandatory Provident Fund entitlement to Hong Kong's employees.

FUTURE PROSPECTS

In the past years, the Group has dedicated significant effort in business restructuring in order to realize the strategy of "Facing the Mainland, focusing in high value-added products and relying less on building construction". It proves that the strategy is on the right track while the relevant restructuring process gone smoothly. Indicating further solidation of its strategy on less relying on Hong Kong housing construction market, the Group has successfully sold to a third party its subsidiary company "Daido Group Limited" which produces ALC products for housing construction. Except that particular small business segments required to be reshaped further in future, the current organizational structure will certainly generate returns for our shareholders. With the stable and clear business strategy in mind, further consolidation of the business foundation would be assured. Looking ahead, the Group's business will be able to bring forth fruitful results in the future.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2003, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any 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 pursuant to Divisions 7 and 8 of Part XV of 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 Director of Listed Companies contained in the Listing Rules, were as follow:

(1) Shares

Name of directors	Number of ordinary shares held	
	Personal Interest	Corporate Interest
Mr. Pang Tak Chung (Note)	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"). GIL 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 Company's directors had personal interests in share options to subscribe for shares in the Company and Daido as follows:—

(i) *The Company*

Pursuant to the share option scheme of the Company adopted on 25th June, 1994, the Company's directors were granted the option shares to subscribe for the ordinary shares of HK\$0.10 each in the share capital of the Company.

During the period, no share option was granted to or exercised by any of the Company's directors under the scheme and there was no share option outstanding as at 30th June, 2003.

(ii) *Daido*

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

Name of Directors	Date Granted	Exercisable Period (both dates inclusive)	Exercise Price HK\$	Number of Share Options			Balance at 30.6.2003
				Balance at 1.1.2003	Lapsed during the period	Exercised during the period	
Mr. Pang Tak Chung	16/11/2000	16/5/2001 to 15/5/2003	0.063	50,000,000	50,000,000	—	Nil
Mr. Ho Wai Yu, Sammy	16/11/2000	16/5/2001 to 15/5/2003	0.063	20,000,000	20,000,000	—	Nil
Mr. Robert Keith Davies	16/11/2000	16/5/2001 to 15/5/2003	0.063	20,000,000	20,000,000	—	Nil

No share option was exercised by the Company's directors during the period.

(3) Shares in subsidiaries

At 30th June, 2003, Mr. Pang Tak Chung has personal and corporate interests in 5,850 and 20,000 non-voting deferred share respectively in Golik Metal Industrial Company Limited. The corporate interest is held by World Producer Limited. In addition, Mr. Ho Wai Yu, Sammy has personal interests of 440,000 shares in Daido.

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 person, 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 fall to be disclosed to the Company under the provisions of Division 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	Attributable number of Shares	Percentage of issued Shares
Golik Investments Ltd.	195,646,500	34.48%
Pang Tak Chung (Note)	330,841,500	58.31%

Note: Including corporate interests in 195,646,500 shares (approximately 34.48%) through GIL and personal interest in 135,195,000 shares (approximately 23.83%).

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 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.

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

The Board of Directors would like to take this opportunity to express our heartfelt thanks to the support from all of the staff for their dedication and hard work. More, we would like to express our sincere gratitude to all our shareholders, customers, bankers as well as our business associates for their continued support. We are expecting our concerted effort will result in better results in the second half year.

By Order of the Board
Pang Tak Chung
Chairman

Hong Kong, 23rd September, 2003