

# DIRECTORS' REPORT

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The directors present their annual report and the audited financial statements of the Group for the year ended 31st December, 2003.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the financial statements.

## SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2003 are set out in note 17 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend for the year.

On 16th June, 2003, a dividend of HK\$0.003 per share, amounting to HK\$9,000,000 was paid to shareholders as the final dividend for 2002.

## RESERVES

Movements in the reserves of the Company during the year are set out in note 28 to the financial statements.

## INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 14 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.

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## DIRECTORS

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

### Executive directors

Mr. To Shu Fai ( <i>Chairman</i> )	(appointed on 6th August, 2003)
Mr. Tang Tsz Man, Philip	(appointed on 6th August, 2003)
Mr. Wong Wai Hung, Frankie	(appointed on 6th August, 2003 and resigned on 29th December, 2003)
Mr. Fung Wa Ko ( <i>Deputy Chairman</i> )	(appointed on 13th October, 2003)
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	(appointed on 6th August, 2003)
Mr. Kwok Shun On	(appointed on 6th August, 2003)
Mr. Leung Chi Hung	(appointed on 4th September, 2003)
Mr. To Wai Keung	(resigned on 6th August, 2003)
Mr. Ha Yue Fuen, Henry	(resigned on 6th August, 2003)

In accordance with Clause 87 of the Company's Bye-Laws, Messrs. Tang Tsz Man, Philip and Tse Yuen Ming, Valent 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 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).

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## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31st December, 2003, the interests of the directors in the shares and share options of the Company, as recorded in the registers maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

### Long positions

(1) *Ordinary shares of HK\$0.01 each of the Company*

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. To Shu Fai ( <i>Note</i> )	Held by controlled corporations	2,023,231,329	67.44%

*Note:* The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by four un-related individuals in equal share.

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## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS *(Continued)*

### (2) *Share options*

Particulars of the Share Option Scheme of the Company are set out in note 27 to the financial statements.

The following table discloses details of share options outstanding under the Company's share options scheme and movements during the year.

Name of director	Date granted	Exercisable period (Both dates inclusive)	Exercise price <i>HK\$</i>	Number of	Number of
				share options as at 1.1.2003	share options as at 31.12.2003
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	–

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

Other than the holdings disclosed above, none of the Company's directors, chief executives and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 31st December, 2003.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the year was the Company or its ultimate holding company or any of its 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, and neither the directors nor the chief executive, nor any of 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.

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## 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 336 of the Securities and Futures Ordinance shows that no person as having an interest of 5% or more in the relevant interests and short positions in the issued share capital of the Company at 31st December, 2003.

## 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 its ultimate holding company or any of its 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) On 15th May, 2003, the Group entered into an agreement with Worldlight Group Limited ("WGL"), a wholly-owned subsidiary of Golik Holdings Limited ("GHL"), the former ultimate holding company of the Company, to dispose of the entire interest in certain subsidiaries including Daido Asia Company Limited ("DACL") and Golik Metal Manufacturing Co. Limited ("GMM") as mentioned in (4) and (5) below, to WGL, for a cash consideration of HK\$100,500,000, which resulted at a loss on disposal of subsidiaries of HK\$8,318,000. The transaction was completed on 9th July, 2003. Details of the transaction had been included in the announcement and circular of the Company dated 23rd May, 2003 and 13th June, 2003 respectively
- (2) Daido Home International Limited ("DHIL"), a wholly-owned subsidiary of the Company, has rented an office from Metro Easy Investments Limited ("Metro Easy"), being a company wholly-owned by Man Fai Tai Holdings Limited, a company wholly-owned by Mr. To Shu Fai, a director of the Company. The office rental paid to Metro Easy by DHIL during the year was approximately HK\$285,000.
- (3) During the year, the Company paid consultancy fee of HK\$900,000 to Top Synergy, the ultimate holding company of the Company.
- (4) During the year, the Group received guarantee money of HK\$3,000,000 from Golik Metal Industrial Company Limited ("GMI"), a wholly-owned subsidiary of GHL, in respect of the potential injury claims from the workers to be indemnified by the Group.

Details of the claims are set out in note 34(i) to the financial statements.

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### CONNECTED TRANSACTIONS *(Continued)*

- (5) 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\$1,000.

Details of this transaction has 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 as set out in the 1st Announcement.

- (6) 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 (“Golik Concrete”), being an indirect 55% owned subsidiary and an indirect wholly-owned subsidiary of GHL respectively. The total amount paid to Ding Cheong for purchase of materials for the year was approximately HK\$2,856,000 and the total amount received from Golik Concrete for sales of products for the year was approximately HK\$356,000.

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.

- (7) 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	508
Sales of goods to GMI Group by the Group	205

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## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2003, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 55% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 22% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 42% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 13% 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 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.

## 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

**To Shu Fai**  
*CHAIRMAN*

16th April, 2004