

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st December, 2000.

Principal Activities

The Company acts as an investment holding company. The activities of its principal subsidiaries, are set out in note 15 to the financial statements.

Subsidiaries

Details of the Company's principal subsidiaries at 31st December, 2000 are set out in note 15 to the financial statements.

During the year, the Group acquired additional 4.69% interest in Daido Group Limited ("Daido"), a non-wholly owned subsidiary of the Company, for a consideration of approximately HK\$12.74 million and disposed of 100% interest in Golik Metal Manufacturing Co. Limited to Daido for a consideration of HK\$52 million.

Results

The results of the Group for the year ended 31st December, 2000 are set out in the consolidated income statement on page 25.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in note 29 to the financial statements.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 74 of the annual report.



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Investment Properties

During the year, the Group acquired investment properties at a cost of approximately HK\$28.9 million. The Group's investment properties were revalued at 31st December, 2000 and the net deficit arising on the revaluation of approximately HK\$16,000 has been charged to the consolidated income statement.

Details of these and other movements during the year in the investment properties of the Group are set out in note 13 to the financial statements.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$49.5 million.

In addition, the Group acquired property, plant and equipment with net book value of approximately HK\$1.1 million through the acquisition of subsidiaries.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

Share Capital and Share Options

Details of the movements in the authorised and issued share capital and share options of the Company during the year are set out in notes 27 and 28 respectively to the financial statements.

Purchase, Sale or Redemption of Listed Securities

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

Borrowings

Details of notes payable to a shareholder, bank borrowings and obligations under finance leases and hire purchase contracts of the Group are set out in notes 26, 31 and 32 respectively to the financial statements.

No interest was capitalised by the Group 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. Pang Tak Chung (*Chairman*)

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

Mr. Robert Keith Davies

Non-executive directors:

Madam Song Tao

Mr. Song Zuoxing (appointed on 18th July, 2000)

Mr. Zheng Peng (resigned on 18th July, 2000)

Independent non-executive directors:

Mr. Li Chiu Wah, Joseph

Mr. Yu Kwok Kan, Stephen

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

In accordance with Clause 87(2) of the Company's Bye-Laws, Mr. Song Zuoxing and Madam Song Tao shall retire by rotation at the forthcoming annual general meeting but shall not offer themselves for re-election.

Independent non-executive directors are not appointed for a specific term as all of the directors, including the non-executive directors and independent non-executive directors, are subject to retirement by rotation in accordance with the above 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 Securities

(1) Shares

At 31st December, 2000, the interests of the directors and their associates in the issued share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name of directors	Number of ordinary shares held	
	Personal interest	Corporate interest
Mr. Pang Tak Chung (Note)	32,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	4,002,000	—
Mr. Robert Keith Davies	1,544,000	—

Note:

The 195,646,500 shares are held by Golik Investments Ltd. ("GIL"). GIL is a wholly owned subsidiary of Golik International Group Limited. 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.

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Directors' Interests in Securities (continued)

(2) Options

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

(i) The Company

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options				
				Balance at 1.1.2000	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2000
Mr. Pang Tak Chung	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	1,167,550	—	(1,167,550)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Mr. Ho Wai Yu, Sammy	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	4,832,450	—	(4,832,450)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Mr. Robert Keith Davies	26th November, 1997	26th May, 1998 to 25th May, 2000	1.02	4,832,450	—	(4,832,450)	—	—
	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,000,000	—	—	(2,000,000)	—
Madam Song Tao	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,500,000	—	—	—	2,500,000
Mr. Zheng Peng	27th November, 1998	27th May, 1999 to 26th May, 2001	0.24	2,500,000	—	—	(2,500,000)	—

Subsequent to the balance sheet date, 485,000 share options with an exercise price of HK\$0.24 per share were exercised.

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Directors' Interests in Securities (continued)

(2) Options (continued)

(ii) Daido

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options				
				Balance at 1.1.2000	Granted during the year	Lapsed during the year	Exercised during the year	Balance at 31.12.2000
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	50,000,000	—	—	50,000,000
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	20,000,000	—	—	20,000,000
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	—	20,000,000	—	—	20,000,000

Details of the Share Option Schemes are set out in note 28 to the financial statements.

(3) Shares in a subsidiary

At 31st December, 2000, 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.

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.

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Arrangements to Purchase Shares or Debentures

- (i) The Share Option Scheme adopted by the Company on 25th June, 1994 enables directors and employees of the Group to subscribe for shares in the Company, details of which are set out in note 28 to the financial statements.
- (ii) The Share Option Scheme adopted by Daido on 29th August, 2000 enables the directors and employees of Daido to subscribe for shares in Daido, details of which are set out in note 28 to the financial statements.

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

Substantial Shareholders

As at 31st December, 2000, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10 per cent. or more in the issued share capital of the Company:

Name	Number of shares held	Percentage of holding
Mr. Pang Tak Chung (Note)	227,841,500	40.19%
GIL	195,646,500	34.51%
Bank of China (Hong Kong Branch)	99,000,000	17.46%

Note: Including corporate interests in 195,646,500 shares through GIL and personal interest in 32,195,000 shares.

Save as disclosed above, the Company had not been notified of any other interests representing 10 per cent. or more of the Company's issued share capital as at 31st December, 2000.

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 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.

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Connected Transactions

On 17th April, 2000, the Company issued twenty 5 year 6% redeemable transferable convertible notes at HK\$2,000,000 each to GIL for a total subscription price of HK\$40 million payable in cash upon subscription. On 21st November, 2000, a deed of variation was entered between the Company and GIL, pursuant to which (i) all the conditions related to conversion and redemption rights have been deleted; and (ii) the Company has the right to prepay all or part of the principal moneys outstanding and all the interest accrued at any time before the maturity date by giving 14 days' prior written notice to the holders of the notes. Details of these transactions have been included in the circular dated 22nd March, 2000 and 4th December, 2000 issued to the shareholders of the Company.

The independent non-executive directors had confirmed that these transactions were fair and reasonable so far as the shareholders are concerned.

Connected Transactions with Non-Wholly Owned Subsidiaries

During the year, a wholly owned subsidiary, Golik Metal Manufacturing Co. Limited ("GMM") was disposed of to Daido at a consideration of HK\$52 million. Pursuant to the agreement (the "Agreement") entered between GMI, Daido Concrete (H.K.) Limited ("DCHK") and Tak Sun Limited, both of which are wholly owned subsidiaries of Daido, GMI warrants that the net tangible assets value of GMM at 31st March, 2000 shall be not less than HK\$32,000,000 (the "NAV Guarantee") and the aggregate profit of GMM after taxation as shown in its audited income statement for the two financial years ending 31st December, 2001 shall be not less than HK\$20,000,000. Details of this transaction has been included in the circular dated 3rd August, 2000 issued to the shareholders of the Company (the "Circular"). Prior to and subsequent to the disposal of GMM to Daido, the following transactions have been carried out between GMM, DCHK and GMI:

- (i) On 18th January, 2000, GMM entered into a license agreement with DCHK, pursuant to which DCHK agreed to grant to GMM a license to occupy certain areas in its premises for a term of three years. The total amount of license fee paid to DCHK prior to the disposal of GMM was HK\$1,800,000.
- (ii) Subsequent to the disposal of GMM, GMM has continued, in its normal course of business and on an arm's length basis, to purchase wire rods and accessories through GMI. The amount of transactions for the period from the date of disposal to 31st December 2000 amounting approximately to HK\$11 million.

The independent non-executive directors of the Company had reviewed and approved the above transactions and confirmed that such transactions had been (a) carried out on normal commercial terms; (b) in the ordinary and usual course of business of the Company; (c) on terms that are fair and reasonable and no less favourable than terms available to GMM from third parties so far as the shareholders of the Company are concerned; and (d) up to 31st December 2000, the aggregate value of the transactions does not exceed the waiver limit of HK\$65 million granted by The Stock Exchange of Hong Kong Limited as set out in the Circular. They had also confirmed that the NAV Guarantee has been fulfilled and in accordance with the terms of the Agreement.

- (iii) In addition, GMM has continued to provide cross guarantees to the extent of approximately HK\$45 million to banks to secure general banking facilities granted to the Group.

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Connected Transactions with Non-Wholly Owned Subsidiaries (continued)

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

	<i>HK\$'000</i>
Sales of goods to Daido Group by GMI Group	1,170
Purchases of goods from Daido Group by GMI Group	6,425

Major Customers and Suppliers

For the year ended 31st December, 2000, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 26.8% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 56.7% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 26.8% of the Group's total purchases.

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

Significant Post Balance Sheet Events

Details of significant post balance sheet events are set out in note 45 to the financial statements.

Pre-Emptive Rights

There are no provisions 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

During the year, 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 of Hong Kong Limited 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.

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Auditors

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

On behalf of the Board

Pang Tak Chung

Chairman

17th April, 2001