

Directors' Report



The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19 to the financial statements.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31st December, 2001 are set out in note 19 to the financial statements.

During the year, the Group acquired a 100% interest in Dyna Concrete Limited for a consideration of approximately HK\$8.6 million.

In addition, the Group acquired an additional 6.32% interest in Daido Group Limited ("Daido") and 10% interest in Golik Technology Limited for a consideration of approximately HK\$15.2 million and HK\$1.3 million respectively and disposed of 8% interest in Fulwealth Metal Factory Limited to minority shareholders for a consideration of approximately HK\$7 million.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 23.

The directors recommend the payment of a final dividend of HK\$0.02 per share, amounting to approximately HK\$11,347,000 to the shareholders of the Company whose names appear on the register of members on 7th June, 2002 and the retention of the remaining profit for the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 30 to the financial statements.

Directors' Report

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.

INVESTMENT PROPERTIES

Details of the investment properties of the Group are set out in note 17 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$42 million.

In addition, the Group acquired property, plant and equipment with a net book value of approximately HK\$40 million through the acquisition of a subsidiary.

Details of these and other movements during the year in the property, plant and equipment of the Group are set out in note 18 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 28 and 29 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 27, 32 and 33 respectively to the financial statements.

No interest was capitalised by the Group during the year.

Directors' Report

DIRECTORS

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

Executive directors

Mr. Pang Tak Chung (*Chairman*)
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
Mr. Robert Keith Davies

Non-executive directors

Madam Song Tao (retired on 31st May, 2001)
Mr. Song Zuoxing (retired on 31st May, 2001)

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. Ho Wai Yu, Sammy retires by rotation and, being eligible, offers himself 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) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES

(1) Shares

At 31st December, 2001, the interests of the directors and their associates in the issued share capital of the Company and its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the registers 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 (<i>Note</i>)	135,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	7,296,000	–
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 ("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 directors had personal interests in share options to subscribe for shares in the Company and Daido as follows:

(i) The Company

No share option was granted to or exercised by any of the Company's directors under the scheme during the year and there was no share option outstanding as at 31st December, 2001.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (Continued)

(ii) Daido

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options as at 1.1.2001 and 31.12.2001
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	50,000,000
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

Details of the Share Option Schemes are set out in note 29 to the financial statements.

There was no movement in share options granted under the scheme during the year.

(3) Shares in subsidiaries

At 31st December, 2001, 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. In addition, Mr. Ho Wai Yu, Sammy has personal interest of 440,000 shares in Daido.

Save as disclosed above, none of the Company's directors or their associates had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31st December, 2001.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in paragraph 2 of 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.

CONNECTED TRANSACTIONS

- (1) The Group disposed of 8% interest in Fulweath Metal Factory Limited to minority shareholders for a consideration of approximately HK\$7,000,000. Details of this transaction had been included in the announcement of the Company dated 12th January, 2001.

The independent non-executive directors of the Company had reviewed and approved the above transaction and confirmed that such transaction had been carried out on normal commercial terms and at an arm's length basis.

- (2) During the year, the Group repaid the 6% notes with an aggregate outstanding balance of HK\$22,850,000 to GIL.

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES

- (1) In 2000, Golik Metal Manufacturing Co. Limited ("GMM"), a non-wholly owned subsidiary was disposed of to Daido in pursuant to the agreement (the "Agreement") entered into between GMI, a wholly owned subsidiary, Daido Concrete (H.K.) Limited and Tak Sun Limited ("Tak Sun"), both of which are wholly owned subsidiaries of Daido.

Pursuant to the Agreement:

- (i) GMI warrants that the net tangible assets value of GMM at 31st March, 2000 shall be not less than HK\$32 million (the "NAV Guarantee") and the aggregate profit of GMM after taxation as shown in its audited income statement for the two financial years ended 31st December, 2001 shall be not less than HK\$20 million (the "Profit Guarantee").

At 31st December, 2001, approximately HK\$7.6 million is payable to Tak Sun by GMI for the shortfall of the Profit Guarantee in accordance with the terms of the Agreement.

- (ii) GMM will continue, in its normal course of business and at an arm's length basis, purchase wire rods and accessories, which are the raw materials used in the production of welded wire mesh from GMI until August 2001 (the "Purchases") in order to set up new banking facilities and establish relationship with the new suppliers. The aggregate value of the Purchases for the two financial years ended 31st December, 2001 should not exceed the value of HK\$65 million (the "Waiver Limit"). Thereafter, the terms of the Purchases and the Waiver Limit will be reviewed and approved by the independent shareholders at a general meeting if the Purchases are to be continued.

Total Purchases from GMI for the period from 29th August, 2000 to 31st December, 2001 amounting approximately to HK\$17 million, of which, HK\$11 million are for the period from 29th August, 2000 to 31st December, 2000.

CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES *(Continued)*

Details of these transactions have been included under the Section "On-Going Transactions" in the Circular dated 3rd August, 2000 issued to the shareholders of the Company.

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) on normal commercial terms; (b) in the ordinary and usual course of business of GMM and GMI; (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, 2001, the aggregate value of the transactions does not exceed the Waiver Limit granted by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out in the Circular.

- (2) Daido Asia Company Limited ("DACL"), a non-wholly owned subsidiary, has rented from Golik Godown Limited ("GGL"), a wholly owned subsidiary, 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\$3 million.

Details of these transactions have been included in the announcement of the Company dated 18th September, 2001 (the "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 Announcement.

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

	<i>HK\$'000</i>
Sales of goods to Daido Group by GMI Group	6,516
Purchases of goods from Daido Group by GMI Group	2,760
Interest received from Daido Group by GMI Group	1,048

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2001, the aggregate amount of turnover attributable to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

The aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 43% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 12% 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 any interest in any of the Group's five largest customers or suppliers.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 to the financial statements.

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

Pang Tak Chung
Chairman

15th April, 2002