

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31st December, 2002.

ADOPTION OF CHINESE NAME

Pursuant to a special resolution passed at the annual general meeting held on 7th June, 2002, “高力集團有限公司” is adopted as the Chinese name of the Company.

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, 2002 are set out in note 19 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2002 are set out in the consolidated income statement on page 21.

The directors recommend the payment of a final dividend of 2.5 HK cents per share, amounting to approximately HK\$14,184,000 to the shareholders of the Company whose names appear on the register of members on 29th May, 2003 and the retention of the remaining profit for the year.

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\$86 million.

In addition, the Group acquired property, plant and equipment with a net book value of approximately HK\$32 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 18 to the financial statements.

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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 30 and 31 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.

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

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. Li Chiu Wah, Joseph 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 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).

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DIRECTORS' INTERESTS IN SECURITIES

(1) *Shares*

At 31st December, 2002, 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 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 (<i>Note</i>)	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") which 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 its subsidiary, Daido Group Limited ("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, 2002.

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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 as at 1.1.2002 and 31.12.2002
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

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

Details of the Share Option Schemes of the Company and Daido are set out in note 31 to the financial statements.

(3) *Shares in subsidiaries*

At 31st December, 2002, 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.

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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 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, 2002.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions with Non-Wholly Owned Subsidiaries" 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 WITH NON-WHOLLY OWNED SUBSIDIARIES

- (1) Daido Asia Company Limited ("DACL"), a wholly owned subsidiary of Daido, has rented from Golik Godown Limited ("GGL"), a wholly owned subsidiary of the Company, 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\$38,000.

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 of Hong Kong Limited ("the Stock Exchange") as set out in the Announcement.

- (2) Golik Metal Manufacturing Co. Limited ("GMM"), a wholly owned subsidiary of Daido, has entered into purchases and sales arrangements with Ding Cheong Limited ("Ding Cheong"), a non-wholly owned subsidiary of the Company and Golik Concrete Limited ("Golik Concrete") (formerly known as Dyna Concrete Limited), a wholly owned subsidiary of the Company respectively. The total amount paid to Ding Cheong for purchase of materials for the year was approximately HK\$2.0 million and the total amount received from Golik Concrete for sales of products for the year was approximately HK\$2.8 million.

Details of these transactions have been included in the announcement of Daido dated 13th May, 2002 ("Daido's 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 Daido's Announcement.

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CONNECTED TRANSACTIONS WITH NON-WHOLLY OWNED SUBSIDIARIES (Continued)

- (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"):

HK\$'000

Sales of goods to Daido Group by GMI Group	167
Purchases of goods from Daido Group by GMI Group	1,907

- (4) As at the date of this report, the Company and its subsidiaries had provided corporate guarantees and cross guarantees to banks to secure banking facilities granted to the following non-wholly owned subsidiaries of the Company:

HK\$'000

Advance Concord Development Limited	18,000
Dah Bang Printing Ink Manufactory Limited and its subsidiary	7,000
Ding Cheong Limited	3,600
Fulwealth Metal Factory Limited	253,822
Heshan Hang Kei Steel Wire Manufacturing Company Limited	25,174
Locusrite Limited	6,128
Luenik Construction Material Company Limited	15,000
The Spacers & Bar Chairs Manufacturer Company Limited	25,000
Tianjin Golik – No. 1 Steel Wire Rope Co., Limited	9,040
Tianjin Golik – The First PC Steel Strand Co., Limited	27,262
定昌(江門)五金製品有限公司	7,799
廣東水利混凝土有限公司	28,251

These guarantees were given in the ordinary and usual course of business.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2002, 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 35% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 10% 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.

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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.

SIGNIFICANT POST BALANCE SHEET EVENTS

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

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

16th April, 2003