

Directors' Report

The directors present their annual report and the audited financial statements 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 18 to the financial statements.

During the year, the Group acquired the entire issued share capital of Lubrano Properties Limited ("Lubrano") through a non-wholly owned subsidiary, Daido Group Limited ("Daido"), for a consideration of HK\$75,635,000. Lubrano is principally engaged in property investment. In addition, the Group disposed of the 61.11% interest in Daido and its subsidiaries for a consideration of HK\$91,672,000 and acquired the entire issued share capital of certain subsidiaries of Daido for a consideration of HK\$100,479,000. The subsidiaries disposed of principally carried out all the Group's construction work contracting and sales of ALC concrete products operation and property investment operation.

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 17.

The directors recommend the payment of a final dividend of 1.5 HK cents per share, amounting to approximately HK\$8,510,000 to the shareholders of the Company whose names appear on the register of members on 27th May, 2004 and the retention of the remaining profit for the year.

INVESTMENT PROPERTIES

During the year, the Group acquired investment properties of approximately HK\$505,986,000 through the acquisition of a subsidiary and disposed of such investment properties of approximately HK\$505,986,000 through the disposal of the subsidiary.

Details of these and other movements during the year in the investment properties of the Group are set out in note 16 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a cost of approximately HK\$79 million. In addition, during the year, property, plant and equipment with net book values of approximately HK\$42 million were disposed of through the disposal 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 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 29 and 30 respectively to the financial statements.

Directors' Report

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. John Cyril Fletcher (appointed on 5th January, 2004)

Mr. Robert Keith Davies (resigned on 1st March, 2004)

Non-executive director

Mr. Robert Keith Davies (appointed on 1st March, 2004)

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, Messrs. Yu Kwok Kan, Stephen and John Cyril Fletcher retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Non-executive directors are not appointed for a specific term. All directors (including 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

At 31st December, 2003, the interests 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 are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 Part XV of SFO (including interest 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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follow:

(1) *Long position*

Shares of the Company

Name of directors	Number of ordinary shares held			Percentage of issued shares
	Personal interest	Held by controlled corporation	Total	
Mr. Pang Tak Chung (<i>Note</i>)	135,195,000	195,646,500	330,841,500	58.31
Mr. Ho Wai Yu, Sammy	2,000	—	2,000	0.00
Mr. Robert Keith Davies	2,054,000	—	2,054,000	0.36

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 former subsidiary, Daido Group Limited, 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, 2003.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

(2) *Options (Continued)*

(ii) Daido

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price <i>HK\$</i>	Number of share options		
				As at 1.1.2003	Lapsed during the year	As at 31.12.2003
Mr. Pang Tak Chung	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	50,000,000	(50,000,000)	Nil
Mr. Ho Wai Yu, Sammy	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000	(20,000,000)	Nil
Mr. Robert Keith Davies	16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	20,000,000	(20,000,000)	Nil

Details of the share option schemes of the Company and Daido are set out in note 30 to the financial statements.

(3) *Shares in subsidiaries*

At 31st December, 2003, Mr. Pang Tak Chung has 5,850 and 20,000 non-voting deferred shares in Golik Metal Industrial Company Limited ("GMI") held by himself and held by a controlled corporation, World Producer Limited, respectively.

Save as disclosed above, as at 31st December, 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).

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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, so far as known to any director of the Company, the following person, had interests 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:

Long position in shares of the Company

Name	Attributable number of shares	Percentage of issued shares
Golik Investments Ltd.	195,646,500	34.48%
Pang Tak Chung (<i>Note</i>)	330,841,500	58.31%

Note: Including 195,646,500 shares (approximately 34.48%) held through a controlled corporation, GIL and in 135,195,000 shares (approximately 23.83%) held by himself.

Save as disclosed above, the directors are not aware of any other person who, as at 31st December, 2003, had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

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

- Golik Metal Manufacturing Co. Limited ("GMM"), a wholly owned subsidiary of Daido prior to becoming a wholly owned subsidiary of the Company, 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"), a wholly owned subsidiary of the Company, respectively. The total amount paid to Ding Cheong for purchase of materials during the year prior to becoming a wholly owned subsidiary of the Company was approximately HK\$2,856,000 and the total amount received from Golik Concrete for sales of products during the year prior to becoming a wholly owned subsidiary of the Company was approximately HK\$356,000.

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

Directors' Report

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

(1) *(Continued)*

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 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.

(2) 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") prior to the disposal of Daido:

HK\$'000

Sales of goods to Daido Group by GMI Group	205
Purchases of goods from Daido Group by GMI Group	<u>508</u>

(3) 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

Dah Bang Printing Ink Manufactory Limited and its subsidiary	24,100
Ding Cheong Limited and its subsidiary	11,365
Fulwealth Metal Factory Limited	222,589
Heshan Hang Kei Steel Wire Manufacturing Company Limited	26,647
Luenik Construction Material Company Limited and its subsidiary	33,000
The Spacers & Bar Chairs Manufacturer Company Limited	25,000
Tianjin Golik – The First PC Steel Strand Co., Limited	24,383
廣東水利混凝土有限公司	<u>28,134</u>

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

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 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 44% of the Group's total purchases and the purchases attributable to the Group's largest supplier accounted for approximately 23% 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.

Directors' Report

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 ended 31st December, 2003 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that the 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 to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Pang Tak Chung
Chairman

15th April, 2004