

GOLIK HOLDINGS LIMITED



INTERIM
REPORT
2002

CORPORATE INFORMATION

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

Company Secretary

Mr. Ho Wai Yu, Sammy
FCCA FAIA AHKSA MBIM

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Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
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Principal Bankers

Dao Heng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank
Standard Chartered Bank
CITIC Ka Wah Bank Limited

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
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Investor and Media Relations

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INTERIM RESULTS

The Board of Directors of Golik Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:-

Condensed Consolidated Income Statement

	Notes	Six months ended 30th June,	
		2002 HK\$'000	2001 HK\$'000
Turnover		571,663	498,941
Cost of sales		(458,005)	(413,745)
Gross profit		113,658	85,196
Other revenue		8,870	12,631
Selling and distribution costs		(22,370)	(14,899)
Administrative expenses		(58,363)	(44,673)
Other operating expenses		(135)	(133)
Write back of provision for claims	4	-	6,898
Profit from operations	5	41,660	45,020
Write off of expenses for proposed investment	6	-	(7,079)
Finance costs	7	(7,783)	(11,143)
Interest income		1,897	3,069
Loss on disposal of an interest in a subsidiary		-	(34)
Profit before taxation		35,774	29,833
Taxation	8	(3,376)	(1,787)
Profit after taxation		32,398	28,046
Minority interests		(11,605)	(11,681)
Net profit for the period		20,793	16,365
Dividend	9	11,347	-
Earnings per share	10		
Basic		3.66 cents	2.88 cents
Diluted		3.66 cents	2.86 cents

Condensed Consolidated Balance Sheet

		30.6.2002	31.12.2001
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
Non-current Assets			
Negative goodwill		(6,208)	(6,147)
Investment properties		46,600	46,600
Property, plant and equipment	11	342,401	345,683
Investment in a security		5,000	5,000
Long-term receivables		4,512	1,955
Rental deposits and other assets		1,006	1,251
		393,311	394,342
Current Assets			
Inventories	12	183,382	143,164
Trade and other receivables	13	409,130	383,647
Amounts due from customers for contract work		48	72
Tax recoverable		65	354
Pledged bank deposits		13,621	2,942
Bank balances and cash		115,640	120,980
		721,886	651,159
Current Liabilities			
Amounts due to customers for contract work		30,015	35,685
Trade and other payables	14	135,541	181,388
Amounts due to minority shareholders		6,476	7,232
Amount due to a shareholder		124	124
Tax payable		4,761	1,429
Bank borrowings	15	294,160	263,182
Obligations under finance leases and hire purchase contracts		5,630	7,344
		476,707	496,384
Net Current Assets			
		245,179	154,775
		638,490	549,117

Condensed Consolidated Balance Sheet (Continued)

		30.6.2002	31.12.2001
		HK\$'000	HK\$'000
	Notes	(unaudited)	(audited)
Capital and Reserves			
Share capital	16	56,736	56,736
Reserves	17	346,876	337,669
		<u>403,612</u>	<u>394,405</u>
Minority interests		<u>127,603</u>	<u>115,658</u>
Non-current Liabilities			
Deferred tax		4,663	4,660
Bank borrowings	15	93,947	23,853
Obligations under finance leases and hire purchase contracts		7,102	8,978
Long-term payables		1,563	1,563
		<u>107,275</u>	<u>39,054</u>
		<u>638,490</u>	<u>549,117</u>

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended	
	30th June,	
	2002	2001
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement	(239)	7
Net profit for the period	20,793	16,365
Total recognised gains	20,554	16,372

Condensed Consolidated Cash Flow Statement

	Six months ended 30th June,	
	2002 HK\$'000 (unaudited)	2001 HK\$'000 (unaudited)
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	(63,546)	16,824
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(19,424)	(11,991)
NET CASH INFLOW (OUTFLOW) FROM FINANCING ACTIVITIES	<u>83,545</u>	<u>(12,923)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	575	(8,090)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	104,560	94,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>(257)</u>	<u>57</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>104,878</u>	<u>86,230</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	115,640	93,765
Bank overdrafts	<u>(10,762)</u>	<u>(7,535)</u>
	<u>104,878</u>	<u>86,230</u>

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2001 except as described below.

In the current period, the Group has adopted, for the first time, a number of revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amount present for cash and cash equivalents have been amended to exclude trust receipt loans which are financing in nature. Cash flow of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2002, analysed by business segment and by geographical segment, are as follows:

By business segment:

For the six months ended 30th June, 2002

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	264,145	76,961	35,025	100,585	94,947	-	571,663
Inter-segment sales	4,365	22,202	-	2,665	8,851	(38,083)	-
Total revenue	<u>268,510</u>	<u>99,163</u>	<u>35,025</u>	<u>103,250</u>	<u>103,798</u>	<u>(38,083)</u>	<u>571,663</u>
SEGMENT RESULT	<u>33,470</u>	<u>(2,414)</u>	<u>20,769</u>	<u>(3,807)</u>	<u>2,412</u>	<u>(5)</u>	<u>50,425</u>
Amortisation of goodwill, net							(61)
Unallocated corporate expenses							(8,704)
Profit from operations							<u>41,660</u>

For the six months ended 30th June, 2001

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Construction work contracting and sales of concrete products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	225,530	88,653	31,167	56,000	97,591	-	498,941
Inter-segment sales	6,822	13,626	44	903	11,742	(33,137)	-
Total revenue	<u>232,352</u>	<u>102,279</u>	<u>31,211</u>	<u>56,903</u>	<u>109,333</u>	<u>(33,137)</u>	<u>498,941</u>
SEGMENT RESULT	<u>22,629</u>	<u>(1,028)</u>	<u>12,778</u>	<u>5,153</u>	<u>1,958</u>	<u>70</u>	<u>41,560</u>
Amortisation of goodwill							(65)
Unallocated other revenue							6,898
Unallocated corporate expenses							(3,373)
Profit from operations							<u>45,020</u>

3. SEGMENT INFORMATION *(Continued)*

By geographical segment:

For the six months ended 30th June, 2002

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	477,799	78,429	15,435	–	571,663
Inter-segment sales	26,798	11,947	807	(39,552)	–
Total revenue	<u>504,597</u>	<u>90,376</u>	<u>16,242</u>	<u>(39,552)</u>	<u>571,663</u>
SEGMENT RESULT	<u>48,238</u>	<u>1,228</u>	<u>779</u>	<u>180</u>	50,425
Amortisation of goodwill, net					(61)
Unallocated corporate expenses					<u>(8,704)</u>
Profit from operations					<u>41,660</u>

For the six months ended 30th June, 2001

	Hong Kong HK\$'000	Other regions in the PRC HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External sales	361,294	126,936	10,711	–	498,941
Inter-segment sales	17,039	16,562	1,743	(35,344)	–
Total revenue	<u>378,333</u>	<u>143,498</u>	<u>12,454</u>	<u>(35,344)</u>	<u>498,941</u>
SEGMENT RESULT	<u>36,896</u>	<u>3,418</u>	<u>1,176</u>	<u>70</u>	41,560
Amortisation of goodwill					(65)
Unallocated other revenue					6,898
Unallocated corporate expenses					<u>(3,373)</u>
Profit from operations					<u>45,020</u>

4. WRITE BACK OF PROVISION FOR CLAIMS

The amount represented the reversal of a warranty provision in respect of trading of concrete products and property development businesses in the prior periods. As the warranty period has lapsed, the amount is written back accordingly.

5. PROFIT FROM OPERATIONS

	Six months ended	
	30th June,	
	2002	2001
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Amortisation of goodwill included in administrative expenses	262	65
Depreciation		
– owned assets	12,629	10,750
– assets held under finance leases and hire purchase contracts	1,061	539
Loss on disposal of property, plant and equipment	74	68
Release of negative goodwill to reduce administrative expenses	(201)	–
	_____	_____

6. WRITE OFF OF EXPENSES FOR PROPOSED INVESTMENT

On 17th November, 2000 and 19th January, 2001, the Company's subsidiaries, Daido Group Limited ("Daido") and Eastcom Holdings Limited, entered into agreements (the "Acquisition Agreements") with the Liquidators of Siu Fung Ceramics Holdings Limited and its subsidiaries ("Siu Fung Group"), for the purchase of interests in and loans due to Siu Fung Group from certain joint venture companies.

Pursuant to the joint announcement dated 21st March, 2001, the Acquisition Agreements have not been completed due to non-fulfillment of the conditions precedent relating to the due diligence exercise, the waivers on all the pre-emptive rights from the other joint venture partners and the transfer of the interests of the joint venture companies. Accordingly, the Acquisition Agreements have lapsed and the deposits paid amounting to a total of HK\$2,500,000 were forfeited by the vendor.

Total expenses incurred of HK\$12,629,000 in respect of the acquisition, including the forfeited deposits, have been charged to the consolidated income statement in prior period, of which HK\$5,550,000 had been reflected in the consolidated income statement of the Group for the year ended 31st December, 2000.

7. FINANCE COSTS

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	6,846	10,084
Bank borrowings not wholly repayable within five years	343	–
Finance leases and hire purchase contracts	382	261
Notes payable to a shareholder	–	157
Other borrowings wholly repayable within five years	212	641
	7,783	11,143

8. TAXATION

	Six months ended 30th June,	
	2002	2001
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	3,355	1,661
Overseas taxation		
Current period	21	126
	3,376	1,787

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profit for the period.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

9. DIVIDEND

On 26th June, 2002, a dividend of HK\$0.02 per share was paid to shareholders as the final dividend for the year ended 31st December, 2001.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2002.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30th June,	
	2002 HK\$'000	2001 HK\$'000
Earnings for the purpose of basic earnings per share	20,793	16,365
Adjustment to the share of result of subsidiaries based on the effect of dilutive share options	(12)	(145)
Earnings for the purpose of diluted earnings per share	<u>20,781</u>	<u>16,220</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	567,362,500	567,282,113
Effect of dilutive share options	-	133,140
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>567,362,500</u>	<u>567,415,253</u>

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$10 million on the acquisition of assets in order to facilitate its manufacturing capabilities.

12. INVENTORIES

Included in inventories are raw materials of HK\$980,000 (31.12.2001: HK\$883,000), work in progress of HK\$150,000 (31.12.2001: HK\$495,000) and finished goods of HK\$3,952,000 (31.12.2001: HK\$3,341,000) which are carried at net realisable value.

13. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from C.O.D. to 180 days to its customers.

Included in trade and other receivables are trade receivables of HK\$265,042,000 (31.12.2001: HK\$279,862,000) with an aged analysis as follows:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
0 – 30 days	92,153	92,664
31 – 60 days	77,053	68,125
61 – 90 days	50,835	48,982
91 – 120 days	24,409	28,151
More than 120 days	20,592	41,940
	<u>265,042</u>	<u>279,862</u>

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$64,562,000 (31.12.2001: HK\$63,958,000) with an aged analysis as follows:

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
0 – 30 days	38,759	30,910
31 – 60 days	12,108	21,078
61 – 90 days	8,390	7,896
91 – 120 days	2,586	1,557
More than 120 days	2,719	2,517
	<u>64,562</u>	<u>63,958</u>

15. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of HK\$216 million and repaid bank loans of HK\$116 million.

16. SHARE CAPITAL

	Six months ended		Year ended	
	30.6.2002		31.12.2001	
	Number of shares	Amount HK\$'000	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
At beginning and end of the period/year	<u>1,800,000,000</u>	<u>180,000</u>	<u>1,800,000,000</u>	<u>180,000</u>
Issued and fully paid:				
At beginning of the period/year	567,362,500	56,736	566,877,500	56,688
Issued upon the exercise of options	<u>–</u>	<u>–</u>	<u>485,000</u>	<u>48</u>
At end of the period/year	<u>567,362,500</u>	<u>56,736</u>	<u>567,362,500</u>	<u>56,736</u>

In prior year, 485,000 ordinary shares of the Company were issued at HK\$0.24 per share upon the exercise of options by option holders.

17. RESERVES

	Share premium HK\$'000	Revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2001	318,050	19,367	(188,477)	215	153,553	302,708
Exchange differences arising from translation of overseas subsidiaries	-	-	-	52	-	52
Goodwill released on disposal of an interest in a subsidiary	-	-	577	-	-	577
Share issued at premium	68	-	-	-	-	68
Net profit for the year	-	-	-	-	34,264	34,264
At 31st December, 2001	318,118	19,367	(187,900)	267	187,817	337,669
Exchange differences arising from translation of overseas subsidiaries	-	-	-	(239)	-	(239)
Net profit for the period	-	-	-	-	20,793	20,793
Dividend paid	-	-	-	-	(11,347)	(11,347)
At 30th June, 2002	<u>318,118</u>	<u>19,367</u>	<u>(187,900)</u>	<u>28</u>	<u>197,263</u>	<u>346,876</u>

18. PLEDGE OF ASSETS

At 30th June, 2002, the Group has pledged the following assets to financial institutions as securities for general banking facilities granted to the Group:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Investment properties	46,600	46,600
Land and buildings	83,835	86,650
Plant and machinery and equipment	4,665	5,342
Bank deposits	13,621	2,942
	<u>148,721</u>	<u>141,534</u>

In addition, the Group has also pledged the shares of one of its subsidiaries with market value of approximately HK\$85,670,000 (31.12.2001: HK\$10,703,000) representing the Group's 50.1% (31.12.2001: 4.69%) interest in this subsidiary to a financial institution as securities for general banking facilities granted to the Group (31.12.2001: to the vendor of the shares as securities against unpaid consideration).

19. CAPITAL COMMITMENTS

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>2,775</u>	<u>3,444</u>

At the balance sheet date, the Group has entered into an agreement to establish a joint venture in the PRC, of which, the Group will contribute RMB24,990,000 (HK\$23,562,000) for a 51% interest in the joint venture.

The Company did not have any capital commitments at the balance sheet date.

BUSINESS REVIEW

During the first half of 2002, despite the persistent unfavorable business environment, the Group still managed to achieve a stable and satisfactory growth owing to the implementation of product diversification and effective cost control, together with the concerted effort of the staff.

Steel And Metal Products

(1) *Manufacturing of Steel and Metal Products*

Steel and metal manufacturing business remained the Group's core business and main source of income, and it showed a stable development.

- Decoiling Center

Since the launch of the new factory building in Tai Po created a synergy effect with the factory in Dongguan of PRC, both the production capacity and profit contribution demonstrated a growth compared to the same period last year and the results were satisfactory.

- Steel Wire and Wire Rope

Stable performance was also maintained for the steel wire and wire rope business. In January this year, the factory in Tianjin which manufactures high quality steel wire ropes for elevators became operational and started to bring profits to the Group.

Steel And Metal Products *(Continued)*

(2) Trading of Steel and Metal Products

With two years of hard work, the distribution of steel reinforcement business has successfully established its market position. More, since the price of steel has experienced a rebound recently, it is expected the business will turnaround within the year.

Construction Materials

Concrete business is also one of the Group's core businesses. The performance of Dyna Concrete Limited, which was acquired by the Group in October last year, was also encouraging. In addition, the Group has lately successfully tendered a piece of Government's land in Lantau Island to build a concrete plant. It is expected that the construction of the concrete plant with production capacity amounting to 200,000 cubic meters will be finished by the end of this year.

Precast concrete product is a kind of construction materials that the Government encourages to use for the sake of environmental protection, and therefore its prospect is promising. However, in view of the current competition resulting from the similar products from the mainland, the profit margin was not yet up to scratch.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position is healthy and stable. At 30th June 2002, the Group's cash and bank deposits reached HK\$129,000,000.

The business operation was generally financed by the Group's internal funding.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and the United State dollars. Due to the currency peg of Hong Kong dollars and United State dollars, coupled with the stable exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange rate risk is not material.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Company. The Group's operation was financed by shareholders' equity.

At 30th June 2002, consolidated shareholders' equity reached HK\$404,000,000 and aggregated interest-bearing borrowings was approximately HK\$401,000,000. The Group's debt to equity ratio was approximately 99% (31.12.2001: 77%).

EMPLOYMENT AND REMUNERATION POLICY

At 30th June 2002, the total number of staff of the Group in Hong Kong and the PRC was 1,105. In addition to the share option scheme, the Group also provides Mandatory Provident Fund entitlement to Hong Kong's employees.

PROSPECTS – ENHANCING THE RETURNS FOR SHAREHOLDERS

As the Management was determined to develop value adding manufacturing industry in recent years, the Group has successfully transformed into an industrial group engaged in processing raw materials for industrial and construction use. In addition, the Management is actively seeking suitable new business opportunities to broaden its sources of income and to enhance business growth. We believe most of our current businesses will bring long term and stable returns for our shareholders.

In spite of the difficult business environment in the past two years, the Group still recorded profits. Yet, the Management also realized that the returns for certain equities were far from satisfactory. Looking ahead, the Group is aimed to restructure those equity portfolios with inferior returns with a view to enhancing the returns for shareholders' equity.

DIRECTORS' INTERESTS IN SECURITIES

At 30th June, 2002, the interests of the Company's directors and their associates in the securities 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:

(1) Shares

Name of directors	Number of ordinary shares held	
	Personal Interests	Corporate Interests
Mr. Pang Tak Chung (Note)	135,195,000	195,646,500
Mr. Ho Wai Yu, Sammy	2,296,000	–
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 Company's directors had personal interests in share options to subscribe for shares in the Company and Daido as follows:–

(i) The Company

Pursuant to the share option scheme of the Company adopted on 25th June, 1994, the Company's directors were granted the option shares to subscribe for the ordinary shares of HK\$0.10 each in the share capital of the Company.

During the period, no share option was granted to or exercised by any of the Company's directors under the scheme and there was no share option outstanding as at 30th June, 2002.

(2) Options (Continued)

(ii) Daido

Pursuant to the share option scheme of Daido adopted on 29th August, 2000 which became effective on 10th November, 2000, the following Company's directors were granted the following numbers of option shares to subscribe for the ordinary shares of HK\$0.01 each in the share capital of Daido:-

Name of directors	Date granted	Exercisable period (Both dates inclusive)	Exercise price HK\$	Number of share options as at 1/1/2002 and 30/6/2002
Mr. Pang Tak Chung	16/11/2000	16/5/2001 to 15/5/2003	0.063	50,000,000
Mr. Ho Wai Yu, Sammy	16/11/2000	16/5/2001 to 15/5/2003	0.063	20,000,000
Mr. Robert Keith Davies	16/11/2000	16/5/2001 to 15/5/2003	0.063	20,000,000

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

(3) Shares in subsidiaries

At 30th June, 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. 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 Company's 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 period.

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 at 30th June, 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th June, 2002 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Listing Rules 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.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Company for the six months ended 30th June, 2002.

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 six months ended 30th June, 2002.

APPRECIATION

The Board of Directors would like to take this opportunity to express our heartfelt thanks to the support from all of the staff for their dedication and hard work. More, we would like to express our sincere gratitude to all our shareholders, customers, bankers as well as our business associates for their continued support. We are expecting our concerted effort will result in better results in the second half year.

By Order of the Board
Pang Tak Chung
Chairman

Hong Kong, 4th September, 2002