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Corporate Information

Executive Directors

Mr. Pang Tak Chung (*Chairman*)
Mr. Ho Wai Yu, Sammy (*Vice Chairman*)
Mr. John Cyril Fletcher

Non-Executive Director

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 AHKSA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

Suite 5608, Central Plaza
18 Harbour Road
Wanchai
Hong Kong
www.golik.com.hk

Auditors

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

Principal Bankers

China Construction Bank, Hong Kong Branch
CITIC Ka Wah Bank Limited
DBS Bank (Hong Kong) Limited
HSH Nordbank AG, Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Standard Chartered Bank

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
Ground Floor
BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Investor and Media Relations

JOVIAN Communications Group Limited
Room 905-906, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
Tel: (852) 2581 0168
email: jovian@joviancomm.com

Business Profile



Tianjin Golik – The First PC Steel Strand Co., Limited

- *Pre-qualified supplier to the “Chang Jiang Three Gorges Dam Project”; sole supplier to Huang He Xiao Landi Project, QinShan Nuclear Power Station, Beijing National Theatre and also to various strategic railways in the PRC.*



Tianjin Golik – No.1 Steel Wire Rope Co., Limited

- *The first manufacturer of elevator ropes in the PRC.*



Golik Concrete Limited

- *Ready Mixed Concrete Factory in Sau Ho Wan, Lantau, Hong Kong, currently supply Disney Land and some construction projects in Lantau Island.*



Fulwealth Metal Factory Limited

- *Steel Coil Centre in Dongguan, Guangdong, the PRC, is one of the largest steel coil centres in the Pearl River Delta.*

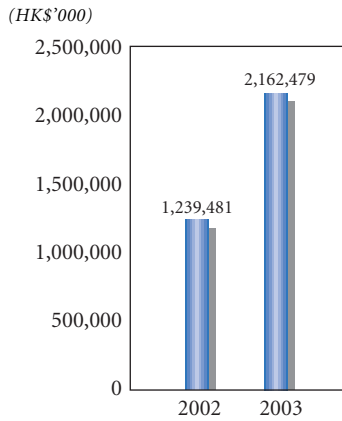


Golik Steel Company Limited

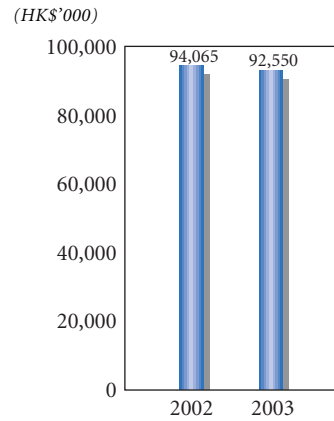
- *One of the largest supplier of reinforcement steel bars for the construction industry in Hong Kong.*

Chairman's Statement

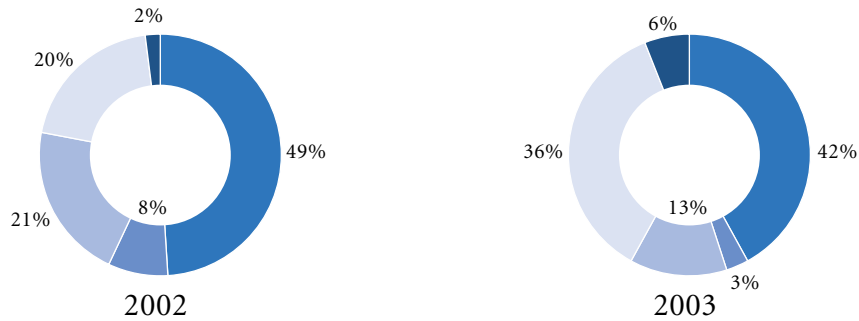
Turnover for the years ended 31st December 2002 and 2003



Profit from operations for the years ended 31st December 2002 and 2003

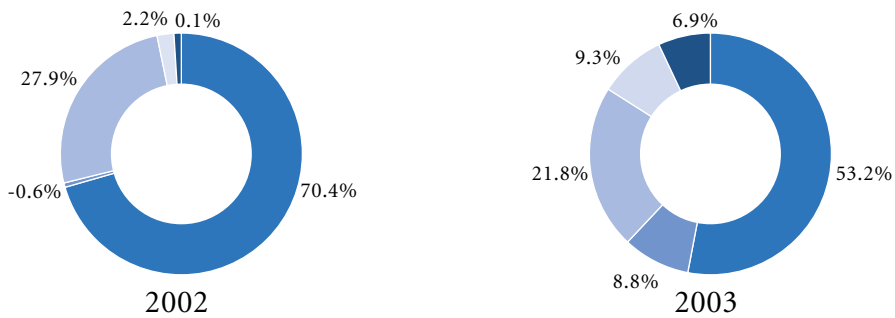


Turnover by products in 2002 and 2003



- Manufacturing of Steel and Metal Products
- Trading of Steel and Metal Products
- Manufacturing of Construction Materials
- Trading of Construction Materials
- Others

Profit Segment Result by products in 2002 and 2003



- Manufacturing of Steel and Metal Products
- Trading of Steel and Metal Products
- Manufacturing of Construction Materials
- Trading of Construction Materials
- Others

Chairman's Statement



The management will continue to implement its stable and vivid business strategies, devote to overcome the short-term difficulties brought by negative contingencies and yield the largest return for its shareholders.

I am pleased to present the annual results of Golik Holdings Limited (“the Company”) and its subsidiaries (“the Group”) for the year ended 31st December, 2003.

BUSINESS REVIEW

In 2003, due to the commencement of various new projects and the rise in prices of certain steel products, annual turnover of the Group recorded approximately HK\$2,162,479,000 (2002: HK\$1,239,481,000), representing an increase of approximately 74.47%.

During the year under review, the Group disposed of certain assets pursuant to the business restructuring and incurred an extraordinary loss of approximately HK\$23,088,000. As a result, net profit for the year was approximately HK\$12,647,000 (2002: HK\$38,676,000), representing a decrease of approximately 67.30%.

2003 is a year of challenge. Despite of our dedicated effort in business restructuring and operating, the occurrence of many unpredictable contingencies, including the devastating outbreak of the Severe Acute Respiratory Syndrome (“SARS”), affected the operational environments of most businesses in the first half-year. And the sharp rise in steel price and material cost in the second half-year not fully transferred to customers led to significant drop in profit margin. Combined with the extraordinary loss of approximately HK\$23,088,000 incurred in the business restructuring, the annual results of the Group was not as satisfactory as expected.

Although the results during the year were affected by a number of adverse factors, turnover still recorded a strong growth of approximately 74.47%, profit before taxation reached approximately HK\$41,464,000. It could be deduced that the foundation of the Group’s present business was solid.

Chairman's Statement

Steel and Metal Products

(1) *Steel Coil Processing*

The export orders from factories were adversely impacted by the outbreak of SARS in the first half-year, such that the performance of the steel coil processing centres in Dongguan, Guangdong and Tai Po Industrial Estate, Hong Kong was not as satisfactory as that of last year. Despite of the challenging operational environment, the business still contributed reasonable return for the Group. The Group was confident toward the prospect of the business and the experienced management.

(2) *Wires Processing (Steel Wires, Wire Ropes and Steel Strands)*

The steel wire rope factory in Heshan, Guangdong and the elevator rope factory in Tianjin maintained stable performances and contributed profits for the Group this year. However, the current production capacities of the two factories had already reached the maximum levels. In the coming year, the Group will invest in the renewal for part of the equipments so as to further upgrade the production capacities and the product value-adding abilities.

The new production lines of the PC steel strands factory in Tianjin commenced production in March. Affected by the outbreak of SARS, the results did not match with the expectation. Nevertheless, the Group remained positive to the future prospect of the business. Along with the abundant investment for constructing railway and highway in the PRC during the next decade, the market demand of the Group's products would be substantiated.

During the year, the upsurge in the price of raw material led to an increase in wire products' cost. The profit margin could not reach the expected level. The Group did revise the sales strategy in the year and resulted in a significant improvement of the situation. It was expected to resume satisfactory results in the coming year.

Construction Materials Products

The stagnant construction industry affected the business performance of construction materials. The Group successfully sold the less promising business during the year in order to focus more on the distribution of steel reinforcement bars ("steel re-bars") and ready mixed concrete in the construction materials business.

(1) *Steel Re-bars Stockholding and Distribution*

The Group is one of the major suppliers of steel re-bars for construction use in Hong Kong. During the year, the import price of steel re-bars encountered the most substantial surge in 20 years. Part of the increase could not be transferred to users affecting the profit margin of the business. Nevertheless, the Group was confident that the business would yield encouraging profit returns when steel price became stable.

(2) *Concrete Products*

The ready mixed concrete factory in Lantau Island officially commenced production in the 4th quarter of the year and provided concrete for Disney Land and some construction projects in Lantau Island. The concrete factory would definitely be benefited from the nearby infrastructure projects, including SkyCity ("航天城") in Lantau Island in the future.

The Group's ready mixed concrete factory in Guangzhou is one of the largest concrete factories in the region, with smooth operation and stable profit. During the year, the Group improved the management so as to set a solid foundation for further development.

Chairman's Statement

LIQUIDITY AND FINANCIAL RESOURCES

During the year under review, there was no significant change in the capital and loan structure of the Group. As at 31st December, 2003, the Group's cash and bank balances reached HK\$147,571,000. As at 31st December, 2003, current ratio (current assets to current liabilities) for the Group was 1.23:1. As at 31st December, 2003, interest-bearing borrowings for the Group was approximately HK\$663,701,000.

The Group's monetary assets are principally denominated in Hong Kong dollars, Renminbi and the United States dollars. As the exchange rate between Hong Kong dollars and the United States dollars is fixed, together with the minimal fluctuation in exchange rate between the Hong Kong dollars and Renminbi, the Group believes its exposure to exchange risk is not material.

CAPITAL STRUCTURE

During the year under review, there was no change to the share capital of the Company. As at 31st December, 2003, shareholders' equity reached HK\$424,695,000.

As at 31st December, 2003, net gearing ratio (interest-bearing borrowings minus cash and bank balances to shareholders' equity and minority shareholders' interest) was 0.97.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2003, the total number of staff of the Group in Hong Kong and the PRC was 1,463. The Group also provided Mandatory Provision Fund entitlement to Hong Kong's employees.

PROSPECTS

In the coming year, the Group will continue to focus on steel processing business which had generated stable returns in the past. Since the Pearl River Delta, the Chang Jiang River Delta and the regions of Beijing and Tianjin have become the processing base for the world's industrial products, while the PRC is going to reach its peak level of infrastructure construction in the coming 10 years, it could be seen that abundant market demand for the Group's steel coil processing factory in Dongguan and PC steel strands factory in Tianjin would be expected.

Regarding the business of construction materials, the Group will continue to consolidate its market positions for steel and concrete in Hong Kong and further develop the enormous market in the PRC. Recently, the property price in Hong Kong is on a rising trend, indicating an increased confidence on the property market. It is expected that the reviving housing construction will benefit the steel and concrete businesses of the Group in Hong Kong.

The Group is optimistic towards the future prospect and expects that the Group will realize profit growth in 2004. The management will continue to implement its stable and vivid business strategies, devote to overcome the short-term difficulties brought by negative contingencies and yield the largest return for its shareholders.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my deepest gratitude and sincere thanks to all of our staff and fellow directors for their contributions and efforts to the Group in the past. I would also like to thank our customers, shareholders, bankers and business associates for their continuous support to the Group. As the market starts showing sign of revival, I am looking forward to placing the Group on the path to growth and bringing fruitful returns for shareholders in the coming financial year.

Pang Tak Chung

Chairman

Hong Kong, 15th April, 2004

Directors of the Group

Mr. Pang Tak Chung, aged 55, is the chairman of the Group and founder of Golik Metal Industrial Company Limited (“Golik Metal”). Mr. Pang is responsible for strategic planning, overall management and corporate development of the Group. He has over 26 years’ experience in the trading and manufacturing industry in Hong Kong and the PRC. In addition, he also has extensive experience in international trading practices.

Mr. Ho Wai Yu, Sammy, aged 48, is the vice chairman of the Company and finance director of the Group responsible for finance, accounting and information technology development. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Society of Accountants, a member of the Institute of Management in the United Kingdom, a full member of the Hong Kong Computer Society, a founder and honorable president of the IT Accountants Association and the founder and honorable president of Hong Kong Association of Master of Business Administration. He has over 24 years’ experience in finance, accounting, computing, investment and project development. Mr. Ho joined Golik Metal in 1994.

Mr. John Cyril Fletcher, aged 60, was appointed as executive director of the Group and the managing director of the Concrete Division of the Group on 5th January, 2004. Mr. Fletcher is responsible for running the manufacturing operations, marketing strategy planning and overall management of the Concrete Division of the Group. He is both a qualified engineer and registered Chartered Practising Engineer (CPE), a member of Institute of Engineers Australia and a fellow member of Institute of Production Engineers in London. Educated in Western Australia, he has worked in various management positions in Hong Kong, the PRC, Malaysia and Australia. He has extensive hands on experience at both operational and executive level in engineering, factory management, sale and marketing and general management. Mr. Fletcher has resided in Hong Kong for more than 20 years.

Mr. Robert Keith Davies, aged 47, is an executive director of the Group and re-designated as non-executive director of the Company with effect from 1st March, 2004. Mr. Davies is responsible for the international trading and sales of the Group. Educated in England, he has worked in various management positions in the United Kingdom, Middle East, Australia as well as Hong Kong. He has extensive experience in trading practices, management of manufacturing plants and negotiation procedures. Mr. Davies has resided in Hong Kong for more than 19 years and joined Golik Metal in 1991.

Mr. Li Chiu Wah, Joseph, aged 46, was appointed as an independent non-executive director of the Company on 27th June, 1997. Mr. Li is a practising solicitor and a Notary Public. He was formerly a Senior Crown Counsel and has over 18 year’s legal experience both in government and in private practice. He is currently the principal of Joseph Li & Co., Solicitors and Notaries in Hong Kong. He holds a Master of Laws degree from the University of London.

Mr. Yu Kowk Kan, Stephen, aged 47, was appointed as an independent non-executive director of the Company on 23rd July, 1997. Mr. Yu is a partner of J. K. Wong, Teh & Yu Proprietary, Certified Practising Accountants in Australia. He holds a Bachelor of Commerce Degree from the University of New South Wales. He has over 21 years’ advisory experience on taxation in Australia, Hong Kong and the PRC.

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:

	<i>HK\$'000</i>
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:

	<i>HK\$'000</i>
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

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF GOLIK HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 17 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

15th April, 2004

Consolidated Income Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
Turnover	4	2,162,479	1,239,481
Cost of sales		(1,942,575)	(993,939)
Gross profit		219,904	245,542
Other operating income	5	65,838	24,029
Interest income		2,772	5,290
Selling and distribution costs		(69,945)	(46,986)
Administrative expenses	6	(121,807)	(129,760)
Amortisation of goodwill		(4,502)	(526)
Release of negative goodwill		720	498
Gain (loss) on disposal of property, plant and equipment		110	(2,522)
Revaluation decrease on investment properties		(540)	(1,500)
Profit from operations	7	92,550	94,065
Finance costs	8	(27,850)	(19,041)
Loss on disposal of subsidiaries/discontinued operations	9	(23,088)	(4,555)
Share of results of a jointly controlled entity		(148)	–
Profit before taxation		41,464	70,469
Income taxes	12	(8,009)	(9,766)
Profit after taxation		33,455	60,703
Minority interests		(20,808)	(22,027)
Net profit for the year		12,647	38,676
Dividend proposed of 1.5 HK cents (2002: 2.5 HK cents) per share	13	8,510	14,184
Earnings per share	14		
Basic		2.22 cents	6.82 cents
Diluted		N/A	6.82 cents

Consolidated Balance Sheet

AT 31ST DECEMBER, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
Non-current Assets			
Goodwill (negative goodwill)	15	25,195	28,747
Investment properties	16	44,560	45,100
Property, plant and equipment	17	416,843	420,674
Interest in a jointly controlled entity	19	1,109	1,257
Investment in a security	20	–	5,000
Deferred tax assets	32	–	4,320
Long-term receivables	21	1,865	5,305
Rental deposits and other assets		3,728	1,065
		<u>493,300</u>	<u>511,468</u>
Current Assets			
Inventories	22	277,472	246,438
Trade and other receivables	23	568,823	447,407
Amounts due from customers for contract work	24	–	79
Tax recoverable		184	613
Pledged bank deposits	25	22,414	14,536
Bank balances and cash	26	125,157	106,025
		<u>994,050</u>	<u>815,098</u>
Current Liabilities			
Amounts due to customers for contract work	24	–	21,961
Trade and other payables	27	262,204	183,288
Amounts due to minority shareholders	28	16,298	16,100
Tax payable		4,875	7,484
Bank borrowings	33	515,077	394,519
Obligations under finance leases	34	7,011	6,083
		<u>805,465</u>	<u>629,435</u>
Net Current Assets		<u>188,585</u>	<u>185,663</u>
		<u>681,885</u>	<u>697,131</u>

Consolidated Balance Sheet

AT 31ST DECEMBER, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
Capital and Reserves			
Share capital	29	56,736	56,736
Reserves		<u>367,959</u>	<u>368,163</u>
		<u>424,695</u>	<u>424,899</u>
Minority Interests			
		<u>104,769</u>	<u>151,854</u>
Non-current Liabilities			
Deferred tax liabilities	32	10,808	10,852
Bank borrowings	33	134,476	96,787
Obligations under finance leases	34	<u>7,137</u>	<u>12,739</u>
		<u>152,421</u>	<u>120,378</u>
		<u>681,885</u>	<u>697,131</u>

The financial statements on pages 17 to 69 were approved and authorised for issue by the Board of Directors on 15th April, 2004 and are signed on its behalf by:

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Balance Sheet

AT 31ST DECEMBER, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment	17	586	978
Investments in subsidiaries	18	251,896	247,248
Investment in a security	20	–	5,000
Rental deposits and other assets		210	435
		<u>252,692</u>	<u>253,661</u>
Current Assets			
Other receivables		6,215	7,508
Amounts due from subsidiaries		334,456	279,320
Pledged bank deposits	25	–	6,408
Bank balances and cash		1,435	444
		<u>342,106</u>	<u>293,680</u>
Current Liabilities			
Other payables		1,197	1,804
Amounts due to subsidiaries		10,820	11,633
Bank borrowings	33	48,000	22,500
		<u>60,017</u>	<u>35,937</u>
Net Current Assets		<u>282,089</u>	<u>257,743</u>
		<u>534,781</u>	<u>511,404</u>
Capital and Reserves			
Share capital	29	56,736	56,736
Reserves	31	408,020	413,418
		464,756	470,154
Non-current Liabilities			
Bank borrowings	33	70,025	41,250
		<u>534,781</u>	<u>511,404</u>

PANG TAK CHUNG
CHAIRMAN

HO WAI YU, SAMMY
VICE CHAIRMAN

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP							
At 1st January, 2002							
– as originally stated	56,736	318,118	19,367	(187,900)	267	187,817	394,405
– adjustment on adoption of SSAP 12 (Revised)	–	–	–	11,611	–	(12,612)	(1,001)
– as restated	56,736	318,118	19,367	(176,289)	267	175,205	393,404
Exchange difference arising from the translation of financial statements of subsidiaries operate outside Hong Kong not recognised in the consolidated income statement	–	–	–	–	53	–	53
Realised to income statement on deemed disposal of interest in a subsidiary to minority shareholders	–	–	–	4,113	–	–	4,113
Net profit for the year	–	–	–	–	–	38,676	38,676
Dividend paid	–	–	–	–	–	(11,347)	(11,347)
At 31st December, 2002	56,736	318,118	19,367	(172,176)	320	202,534	424,899
Exchange difference arising from the translation of financial statements of subsidiaries operate outside Hong Kong not recognised in the consolidated income statement	–	–	–	–	(549)	–	(549)
Realised to income statement on disposal of interests in subsidiaries	–	–	–	1,882	–	–	1,882
Net profit for the year	–	–	–	–	–	12,647	12,647
Dividend paid	–	–	–	–	–	(14,184)	(14,184)
At 31st December, 2003	56,736	318,118	19,367	(170,294)	(229)	200,997	424,695

Surplus arising on revaluation of leasehold properties in 1994 was credited to the revaluation reserve, which is frozen upon the transfer of leasehold properties to properties held for sale. These properties held for sale were transferred to investment properties in prior year. On subsequent sale or retirement of these properties, the attributable revaluation surplus will be transferred to accumulated profits.

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	<i>Notes</i>	2003 HK\$'000	2002 <i>HK\$'000</i> (restated)
OPERATING ACTIVITIES			
Profit from operations		92,550	94,065
Adjustments for:			
Interest income		(2,772)	(5,290)
Depreciation		37,359	28,691
(Write back of) allowance for bad and doubtful debts, net		(7,970)	1,763
Amortisation of goodwill		4,502	526
Release of negative goodwill		(720)	(498)
(Gain) loss on disposal of property, plant and equipment		(110)	2,522
Revaluation decrease on investment properties		540	1,500
Gain on disposal of investment in a security		(2,000)	–
Operating cash flows before movements in working capital		121,379	123,279
Increase in inventories		(35,893)	(84,621)
Increase in trade and other receivables		(150,409)	(58,459)
Decrease (increase) in amounts due from customers for contract work		7	(7)
Decrease in amounts due to customers for contract work		(7,254)	(13,724)
Increase (decrease) in trade and other payables		77,393	(35,223)
Effect of foreign exchange rate changes		(1,496)	(680)
Cash generated from (used in) operations		3,727	(69,435)
Hong Kong Profits Tax paid		(5,546)	(3,820)
Overseas taxation paid		(461)	(96)
Hong Kong Profits Tax refunded		438	17
Overseas taxation refunded		13	–
NET CASH USED IN OPERATING ACTIVITIES		(1,829)	(73,334)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(59,952)	(60,856)
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	35	(75,631)	(8,005)
Advance of loans		(20,885)	(20,158)
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	36	(18,309)	(5)
Consideration on acquisition of further interests in subsidiaries		(12,028)	–
Increase in pledged bank deposits		(7,894)	(7,353)
Payment of deferred consideration on acquisition of a subsidiary and further interests in subsidiaries		(2,525)	(1,563)
Repayment of loans advanced		26,324	16,158
Proceeds from disposal of investment in a security		7,000	–
Interest received		6,593	5,918
Proceeds from disposal of property, plant and equipment		3,489	9,025
Receipt of deferred consideration on disposal of property, plant and equipment		938	–
NET CASH USED IN INVESTING ACTIVITIES		(152,880)	(66,839)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
FINANCING ACTIVITIES		
Bank loans raised	232,058	173,429
Other loans raised	75,000	–
Net borrowing of trust receipt loans	53,737	36,947
Injection from minority shareholders	16,536	10,311
Mortgage loans raised	3,938	11,000
Advance from minority shareholders	145	8,893
Repayment of bank loans	(112,428)	(31,560)
Interest paid	(29,956)	(18,487)
Repayment of mortgage loans	(20,218)	(14,053)
Dividend paid	(14,184)	(11,347)
Dividend paid to minority shareholders of subsidiaries	(11,185)	(15,763)
Repayment of obligations under finance leases	(6,374)	(8,528)
Repayment of convertible note	–	(20,000)
Repayment of advance from a shareholder	–	(124)
	<u>187,069</u>	<u>120,718</u>
NET CASH FROM FINANCING ACTIVITIES	187,069	120,718
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,360	(19,455)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	84,683	104,560
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(550)	(422)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>116,493</u>	<u>84,683</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	125,157	106,025
Bank overdrafts	(8,664)	(21,342)
	<u>116,493</u>	<u>84,683</u>

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are manufacturing and sales of steel and metal products and construction materials and manufacturing, sales and installation of autoclaved aerated lightweight concrete blocks and panels (“ALC Products”) and property investment. During the year, the Group’s sales and installation of ALC Products and property investment businesses were discontinued through the disposal of subsidiaries. Details are set out in note 9.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted Hong Kong Financial Reporting Standards (“HKFRSs”) newly issued by the Hong Kong Society of Accountants (“HKSA”). The terms of HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAPs”) and Interpretations approved by the HKSA.

Income taxes

In current year, the Group has adopted SSAP 12 (Revised) “Income taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Details of this revised accounting policy are set out in note 3. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Income taxes (Continued)

The financial effect on the adoption of SSAP 12 (Revised) as at 1st January, 2003 and 2002 are summarised below:

	As originally stated HK\$'000	Effect on adoption of SSAP 12 (Revised) HK\$'000	As restated HK\$'000
At 1st January, 2003			
Goodwill (negative goodwill)	30,742	(1,995)	28,747
Deferred tax assets	–	4,320	4,320
Goodwill reserve	183,921	(11,745)	172,176
Accumulated profits	(217,698)	15,164	(202,534)
Minority interests	(152,262)	408	(151,854)
Deferred tax liabilities	(4,700)	(6,152)	(10,852)
At 1st January, 2002			
Goodwill (negative goodwill)	(6,147)	(2,080)	(8,227)
Deferred tax assets	–	7,835	7,835
Goodwill reserve	187,900	(11,611)	176,289
Accumulated profits	(187,817)	12,612	(175,205)
Minority interests	(115,658)	(532)	(116,190)
Deferred tax liabilities	(4,660)	(6,224)	(10,884)

The adoption of SSAP 12 (Revised) has resulted in a decrease in the profit of HK\$2,612,000 (2002: HK\$2,552,000) for the year ended 31 December 2003.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserve is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st January, 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Interests in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities on acquisition less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any identified impairment loss.

Revenue recognition

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Others

Sales of goods are recognised when goods are delivered and title has passed.

Commission, management, processing and other service income are recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rentals invoiced in advance from properties or assets held under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case, the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than assets under installation and construction in progress, are stated at cost less depreciation and any identified impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than assets under installation and construction in progress over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Buildings	Over the shorter of the terms of the leases, or 20 to 50 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – 33 $\frac{1}{3}$ %
Motor vehicles	10% – 33 $\frac{1}{3}$ %
Plant and machinery and equipment	5% – 50%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

No provision for depreciation is made on assets under installation and construction in progress until such time as the relevant assets are completed and put into use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in the income statement.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case, the impairment loss is treated as a revaluation decrease under that other standard.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case, the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Other than the cost of inventories of concrete products and printing materials which are calculated using the weighted average cost method, the cost of all other products of the Group is calculated using the first-in first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet as advances received. Amounts billed for work performed but not yet paid by the customers, are included in the balance sheet within trade and other receivables.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme for staff in Hong Kong and retirement and pension schemes for the staff in the People's Republic of China ("PRC") are charged as an expense as they fall due.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

On consolidation, the assets and liabilities of the Group's operations which are denominated in currencies other than Hong Kong dollars and which operate in the PRC and overseas are translated into Hong Kong dollars at the rates of exchange prevailing on the balance sheet date. Income and expenses 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 operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Taxation

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is organised into six operating divisions – manufacturing of steel and metal products, sales of steel and metal products, manufacturing of construction materials, sales of construction materials, construction work contracting and sales of ALC concrete products and property investment. These principal operating activities are the basis on which the Group reports its primary segment information.

The Group's construction work contracting and sales of ALC concrete products and property investment businesses were discontinued on 9th July, 2003 (see note 9).

Notes

to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

2003

	Continuing operations					Discontinued operations				Consolidated
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Eliminations HK\$'000		
REVENUE										
External sales	900,728	63,129	245,595	783,869	134,980	34,178	-	-	2,162,479	
Inter-segment sales	15,086	220,077	7,997	51,326	-	-	-	(294,486)	-	
Total revenue	<u>915,814</u>	<u>283,206</u>	<u>253,592</u>	<u>835,195</u>	<u>134,980</u>	<u>34,178</u>	<u>-</u>	<u>(294,486)</u>	<u>2,162,479</u>	
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.										
SEGMENT RESULT	<u>54,532</u>	<u>9,019</u>	<u>(994)</u>	<u>9,557</u>	<u>6,101</u>	<u>23,380</u>	<u>1,382</u>	<u>(516)</u>	102,461	
Amortisation of goodwill	-	-	(251)	(8)	(4,008)	(185)	(50)	-	(4,502)	
Release of negative goodwill	-	-	720	-	-	-	-	-	720	
Unallocated other operating income									15,311	
Unallocated corporate expenses									(21,440)	
Profit from operations									92,550	
Finance costs									(27,850)	
Loss on disposal of subsidiaries/ discontinued operations	-	-	-	-	-	(23,088)	-	-	(23,088)	
Share of results of a jointly controlled entity	-	-	-	-	(148)	-	-	-	(148)	
Profit before taxation									41,464	
Income taxes									(8,009)	
Profit after taxation									33,455	
Minority interests									(20,808)	
Net profit for the year									<u>12,647</u>	

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2003 (Continued)

BALANCE SHEET

	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
ASSETS							
Segment assets	687,995	180,218	327,841	263,688	109,894	(229,659)	1,339,977
Interest in a jointly controlled equity					1,109		1,109
Unallocated corporate assets							146,264
Consolidated total assets							1,487,350
LIABILITIES							
Segment liabilities	182,157	24,391	174,123	160,348	38,090	(374,717)	204,392
Unallocated corporate liabilities							753,494
Consolidated total liabilities							957,886

OTHER INFORMATION

	Continuing operations					Discontinued operations			
	Manufacturing of steel and metal products HK\$'000	Sales of steel and metal products HK\$'000	Manufacturing of construction materials HK\$'000	Sales of construction materials HK\$'000	Other operations HK\$'000	Construction work contracting and sales of ALC concrete products HK\$'000	Property investment HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Capital expenditures	46,703	1,588	26,646	645	2,864	963	511,538	253	591,200
Depreciation	14,206	1,137	17,407	401	605	2,712	-	891	37,359
Amortisation of goodwill	-	-	251	8	3,981	185	50	27	4,502
Release of negative goodwill	-	-	(720)	-	-	-	-	-	(720)
Allowance for (write back of) bad and doubtful debts, net	(1,115)	240	(5,356)	378	319	(536)	-	(1,900)	(7,970)
Loss (gain) on disposal of property, plant and equipment	(8)	(32)	(134)	(20)	41	6	-	37	(110)

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2002 (restated)

	Continuing operations					Discontinued operation	Eliminations	Consolidated
	Manufacturing of steel and metal products	Sales of steel and metal products	Manufacturing of construction materials	Sales of construction materials	Other operations	Construction work contracting and sales of ALC concrete products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	603,949	99,086	204,005	244,176	25,959	62,306	-	1,239,481
Inter-segment sales	9,505	157,814	9,937	25,806	-	-	(203,062)	-
Total revenue	<u>613,454</u>	<u>256,900</u>	<u>213,942</u>	<u>269,982</u>	<u>25,959</u>	<u>62,306</u>	<u>(203,062)</u>	<u>1,239,481</u>
Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.								
SEGMENT RESULT	<u>80,765</u>	<u>(783)</u>	<u>6,985</u>	<u>2,566</u>	<u>56</u>	<u>25,074</u>	<u>138</u>	114,801
Amortisation of goodwill	-	-	(130)	-	-	(396)	-	(526)
Release of negative goodwill	-	-	485	-	-	13	-	498
Unallocated other operating income								12,488
Unallocated corporate expenses								<u>(33,196)</u>
Profit from operations								94,065
Finance costs								<u>(19,041)</u>
Loss on disposal of subsidiaries	-	-	-	(4,555)	-	-	-	<u>(4,555)</u>
Profit before taxation								70,469
Income taxes								<u>(9,766)</u>
Profit after taxation								60,703
Minority interests								<u>(22,027)</u>
Net profit for the year								<u>38,676</u>

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

2002 (restated) (Continued)

BALANCE SHEET

	Continuing operations					Discontinued operation		Consolidated
	Manufacturing of steel and metal products	Sales of steel and metal products	Manufacturing of construction materials	Sales of construction materials	Other operations	Construction work contracting and sales of ALC concrete products	Eliminations	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS								
Segment assets	506,562	303,928	323,360	157,982	100,302	82,702	(274,457)	1,200,379
Interest in a jointly controlled entity	-	-	-	-	1,257	-	-	1,257
Unallocated corporate assets								124,930
Consolidated total assets								<u>1,326,566</u>
LIABILITIES								
Segment liabilities	132,311	81,821	126,423	98,440	25,699	31,414	(262,617)	233,491
Unallocated corporate liabilities								516,322
Consolidated total liabilities								<u>749,813</u>

OTHER INFORMATION

	Continuing operations					Discontinued operation		Consolidated
	Manufacturing of steel and metal products	Sales of steel and metal products	Manufacturing of construction materials	Sales of construction materials	Other operations	Construction work contracting and sales of ALC concrete products	Unallocated	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Capital expenditures	56,082	8,302	48,465	467	39,938	27	1,286	154,567
Depreciation	9,033	740	13,230	534	15	3,937	1,202	28,691
Amortisation of goodwill	-	-	130	-	-	396	-	526
Release of negative goodwill	-	-	(485)	-	-	(13)	-	(498)
Allowance for (write back of) bad and doubtful debts, net	1,038	953	859	1,785	-	(2,872)	-	1,763
Loss (gain) on disposal of property, plant and equipment	1,004	-	(2,907)	10	-	18	4,397	2,522

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical market		Contribution to profit from operations	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000 (restated)
Hong Kong	1,335,242	991,966	71,957	109,237
Other regions in the PRC	722,399	217,709	27,243	4,592
Macau	46,335	23	674	1
United Kingdom	23,761	13,290	1,015	605
Others	34,742	16,493	1,572	366
	<u>2,162,479</u>	<u>1,239,481</u>	<u>102,461</u>	<u>114,801</u>
Amortisation of goodwill			(4,502)	(526)
Release of negative goodwill			720	498
Unallocated other operating income			15,311	12,488
Unallocated corporate expenses			(21,440)	(33,196)
Profit from operations			<u>92,550</u>	<u>94,065</u>
Finance costs			(27,850)	(19,041)
Loss on disposal of subsidiaries/discontinued operations			(23,088)	(4,555)
Share of results of a jointly controlled entity			(148)	–
Profit before taxation			<u>41,464</u>	<u>70,469</u>
Income taxes			(8,009)	(9,766)
Profit after taxation			<u>33,455</u>	<u>60,703</u>

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

4. SEGMENT INFORMATION (Continued)

Business segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties, property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment and intangible assets	
	2003	2002	2003	2002
	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000 (restated)
Hong Kong	861,550	940,604	534,250	70,118
Other regions in the PRC	593,210	360,267	54,932	83,943
United Kingdom	24,284	20,379	1,998	492
Others	7,197	4,059	20	14
	<u>1,486,241</u>	<u>1,325,309</u>	<u>591,200</u>	<u>154,567</u>

5. OTHER OPERATING INCOME

	2003	2002
	HK\$'000	HK\$'000
Claims received	1,171	364
Commission income	3,122	7
Exchange gain	2,045	–
Gain on disposal of investment in a security	2,000	–
Management income	4,754	508
Other service income	–	13
Processing income	1,735	2,005
Property manager remuneration	384	421
Rental income, net of outgoing of HK\$898,000 (2002: HK\$Nil)	19,860	4,127
Sales of metal scrap	6,373	3,061
Sundry income	6,249	4,710
Trade and other payables written back	2,290	2,108
Transportation income	15,855	6,705
	<u>65,838</u>	<u>24,029</u>

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

6. ADMINISTRATIVE EXPENSES

Included in administrative expenses is a net write back of allowance for bad and doubtful debts of HK\$7,970,000 (2002: net allowance for bad and doubtful debts HK\$1,763,000).

7. PROFIT FROM OPERATIONS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
Current year	2,880	3,002
Underprovision in prior years	335	198
Depreciation		
Owned assets	35,416	26,599
Assets held under finance leases	1,943	2,092
Minimum lease payments for operating leases in respect of		
Land and buildings	16,843	9,127
Plant and machinery	2,522	1,579
Amount capitalised in assets under installation and construction in progress	<u>(4,500)</u>	<u>–</u>
	<u>14,865</u>	<u>10,706</u>
Staff costs including directors' emoluments and contributions to retirement benefits scheme		
	101,957	121,562
Amount capitalised in contract work	(3,073)	(9,174)
Amount capitalised in assets under installation and construction in progress	<u>(1,658)</u>	<u>–</u>
	<u>97,226</u>	<u>112,388</u>

Minimum lease payments for operating leases in respect of a director's and an employee's accommodation amounting to HK\$1,111,000 (2002: HK\$1,320,000) and HK\$230,000 (2002: HK\$405,000) respectively are included under staff costs.

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

8. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Interest on:		
Bank borrowings wholly repayable within five years	23,027	17,285
Bank borrowings not wholly repayable within five years	515	680
Finance leases	798	784
Other borrowings wholly repayable within five years	4,487	573
	<hr/>	<hr/>
Total borrowing costs	28,827	19,322
Less: amount capitalised in assets under installation and construction in progress	(977)	(281)
	<hr/>	<hr/>
	27,850	19,041
	<hr/>	<hr/>

Borrowing costs capitalised during the year arose on borrowings specifically for the installation and construction works.

9. LOSS ON DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Continuing operations		
Loss on deemed disposal of interest in a subsidiary	–	4,500
Loss on disposal of a subsidiary	–	55
	<hr/>	<hr/>
	–	4,555
Discontinued operations		
Loss on disposal of subsidiaries	23,088	–
	<hr/>	<hr/>
	23,088	4,555
	<hr/>	<hr/>

On 15th May, 2003, the Group entered into an agreement to dispose of the 61.11% interest in Daido Group Limited (“Daido”) and its subsidiaries for a consideration of HK\$91,672,000 and acquire 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 of the Group’s construction work contracting and sales of ALC concrete products operation and property investment operation. The disposal has been completed on 9th July, 2003, on which date control of Daido passed to the acquirer.

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to the Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2003

9. LOSS ON DISPOSAL OF SUBSIDIARIES/DISCONTINUED OPERATIONS *(Continued)*

The results of the construction work contracting and sales of ALC concrete products operation and property investment operation for the period from 1st January, 2003 to 9th July, 2003, which have been included in the consolidated financial statements, were as follows:

	Period ended 9.7.2003 <i>HK\$'000</i>	Year ended 31.12.2002 <i>HK\$'000</i>
Turnover	34,178	62,306
Other operating income	25,877	4,975
Operating expenses	(35,293)	(42,207)
Finance costs	(2,467)	–
Profit before taxation	22,295	25,074
Income taxes	–	–
Profit after taxation	22,295	25,074

During the year, the operations utilised HK\$66,901,000 (2002: contributed HK\$2,224,000) in respect of the Group's net operating cash flows, utilised HK\$86,000 (2002: contributed HK\$1,233,000) in respect of investing activities and utilised HK\$15,581,000 (2002: HK\$1,831,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in note 36.

A loss of HK\$23,088,000 arose on the disposal, being the proceeds of disposal less the carrying amount of the subsidiaries' net assets and attributable goodwill (see note 36).

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

10. DIRECTORS' EMOLUMENTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	166	152
	166	152
Other emoluments:		
Executive		
Salaries and other benefits	5,771	6,383
Performance related bonus	1,143	3,400
Contributions to retirement benefits scheme	384	376
	7,298	10,159
	7,464	10,311

The directors' emoluments were within the following bands:

	2003	2002
	Number of directors	Number of directors
HK\$Nil to HK\$1,000,000	2	2
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	1
	5	5

No director waived any emoluments for the two years ended 31st December, 2003.

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

11. EMPLOYEES' EMOLUMENTS

The five highest paid individuals included three directors (2002: two directors), details of whose emoluments are set out in note 10 above. The emoluments of the remaining two individuals (2002: three individuals), excluding commission on sales generated by the employees, are as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	4,285	7,485
Contributions to retirement benefits scheme	24	69
	<u>4,309</u>	<u>7,554</u>

Their emoluments were within the following bands:

	2003	2002
	No. of employees	No. of employees
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	1	2
HK\$3,000,001 – HK\$3,500,000	–	1
	<u>2</u>	<u>3</u>

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

12. INCOME TAXES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)
The charge comprises:		
Current year		
Hong Kong	3,923	6,030
Other regions in the PRC	412	278
	<u>4,335</u>	<u>6,308</u>
Overprovision in prior years		
Hong Kong	(946)	(8)
	<u>3,389</u>	<u>6,300</u>
Deferred tax (<i>note 32</i>)		
Current year	2,284	2,249
Underprovision in prior years	1,756	1,217
Attributable to a change in tax rate	580	–
	<u>4,620</u>	<u>3,466</u>
	<u>8,009</u>	<u>9,766</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31st December, 2003.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Certain of the Group's subsidiaries operating in the PRC are eligible for certain tax holiday and concessions and were exempted from PRC income taxes for the year.

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12. INCOME TAXES *(Continued)*

The taxation for the year can be reconciled from taxation based on profit per the income statement as follows:

	Hong Kong		PRC and others		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<u>19,923</u>	<u>67,316</u>	<u>21,541</u>	<u>3,153</u>	<u>41,464</u>	<u>70,469</u>
Domestic income tax rate	<u>17.5%</u>	<u>16%</u>	<u>33%</u>	<u>33%</u>		
Tax at the domestic income tax rate	3,487	10,771	7,109	1,040	10,596	11,811
Tax effect of expenses not deductible for tax purpose	5,119	1,241	57	82	5,176	1,323
Tax effect of income not taxable for tax purpose	(5,320)	(7,345)	(87)	–	(5,407)	(7,345)
Tax effect of tax losses not recognised	2,921	2,588	1,356	412	4,277	3,000
Tax effect of other deductible temporary difference not recognised	(344)	28	(3,466)	–	(3,810)	28
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	580	–	–	–	580	–
Effect of tax exemption granted to PRC subsidiaries	–	–	(3,852)	(969)	(3,852)	(969)
Others	47	804	(408)	(95)	(361)	709
Underprovision in prior years, net	<u>810</u>	<u>1,209</u>	<u>–</u>	<u>–</u>	<u>810</u>	<u>1,209</u>
Taxation for the year	<u>7,300</u>	<u>9,296</u>	<u>709</u>	<u>470</u>	<u>8,009</u>	<u>9,766</u>

Details of deferred taxation are set out in note 32.

13. DIVIDEND

On 23rd June, 2003 a dividend of 2.5 HK cents per share, amounting to HK\$14,184,000, was paid to shareholders as final dividend in respect of 2002.

A dividend in respect of 2003 of 1.5 HK cents per share, amounting to HK\$8,510,000 is proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

14. EARNINGS PER SHARE

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

	2003	2002
	HK\$'000	HK\$'000
		(restated)
Earnings for the purpose of basic earnings per share	12,647	38,676
Adjustment to the share of results of subsidiaries based on the effect of dilutive share options	—	(8)
Earnings for the purpose of diluted earnings per share	12,647	38,668
Number of ordinary shares for the purpose of basic and diluted earnings per share	567,362,500	567,362,500

The adjustment to comparative basic and diluted earnings per share, arising from the adoption of SSAP 12 (Revised), is as follows:

	Basic	Diluted
	HK cents	HK cents
Reconciliation of 2002 basic earnings per share:		
Reported figures before adjustments	7.27	7.27
Adjustments arising from the adoption of SSAP 12 (Revised)	(0.45)	(0.45)
Restated	6.82	6.82

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15. GOODWILL (NEGATIVE GOODWILL)

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>	Total <i>HK\$'000</i>
GROSS AMOUNTS			
At 1st January, 2003			
– as original stated	43,605	(12,627)	30,978
– adjustment on adoption of SSAP 12 (Revised)	(127)	(2,025)	(2,152)
– as restated	43,478	(14,652)	28,826
Arising on acquisition of subsidiaries	5,552	–	5,552
Arising on acquisition of further interests in subsidiaries	1,940	(854)	1,086
Eliminated on disposal of subsidiaries	(6,763)	–	(6,763)
At 31st December, 2003	44,207	(15,506)	28,701
AMORTISATION/RELEASED TO INCOME			
At 1st January, 2003			
– as original stated	(1,052)	816	(236)
– adjustment on adoption of SSAP 12 (Revised)	12	145	157
– as restated	(1,040)	961	(79)
(Amortised) released for the year	(4,502)	720	(3,782)
Eliminated on disposal of subsidiaries	355	–	355
At 31st December, 2003	(5,187)	1,681	(3,506)
CARRYING AMOUNTS			
At 31st December, 2003	39,020	(13,825)	25,195
At 31st December, 2002	42,438	(13,691)	28,747

Goodwill is amortised on a straight-line basis over the estimated useful life of 10 years.

Negative goodwill is presented as a deduction from assets and is released to income on a straight-line basis over the range of 9 years to 28 years, being the remaining useful life of the non-monetary assets acquired.

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16. INVESTMENT PROPERTIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	45,100	46,600
Acquired on acquisition of a subsidiary	505,986	–
Eliminated on disposal of a subsidiary	(505,986)	–
Decrease on revaluation	(540)	(1,500)
	<u>44,560</u>	<u>45,100</u>

The Group's investment properties comprise:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under medium term leases:		
In Hong Kong	41,490	42,030
Other regions in the PRC	3,070	3,070
	<u>44,560</u>	<u>45,100</u>

Investment properties situated in Hong Kong and the PRC were revalued at 31st December, 2003 by LCH (Asia-Pacific) Surveyors Limited, Chartered Surveyors, an independent firm of professional valuer, on an open market existing use basis. The decrease arising on revaluation of HK\$540,000 (2002: HK\$1,500,000) had been charged to the consolidated income statement.

The investment properties of the Group are rented out under operating leases.

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FOR THE YEAR ENDED 31ST DECEMBER, 2003

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Assets under installation	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST								
At 1st January, 2003	392,706	23,722	16,833	45,035	350,476	40,073	9,286	878,131
Exchange differences	702	–	26	(108)	325	(124)	(1)	820
Additions	1,266	211	1,734	4,223	17,595	10,210	43,337	78,576
Disposals	–	–	(801)	(1,931)	(3,926)	(10)	–	(6,668)
On disposal of subsidiaries	(102,528)	(974)	(2,218)	(1,043)	(132,386)	–	–	(239,149)
Reclassification	20,403	215	204	748	63,436	(50,149)	(34,857)	–
At 31st December, 2003	312,549	23,174	15,778	46,924	295,520	–	17,765	711,710
DEPRECIATION								
At 1st January, 2003	219,839	16,016	12,701	20,787	188,114	–	–	457,457
Exchange differences	6	–	17	(38)	105	–	–	90
Provided for the year	6,303	1,315	1,778	5,053	22,910	–	–	37,359
Eliminated on disposals	–	–	(783)	(1,709)	(797)	–	–	(3,289)
On disposal of subsidiaries	(89,954)	(974)	(1,607)	(920)	(103,295)	–	–	(196,750)
At 31st December, 2003	136,194	16,357	12,106	23,173	107,037	–	–	294,867
NET BOOK VALUES								
At 31st December, 2003	176,355	6,817	3,672	23,751	188,483	–	17,765	416,843
At 31st December, 2002	172,867	7,706	4,132	24,248	162,362	40,073	9,286	420,674

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
COST				
At 1st January, 2003	617	501	1,014	2,132
Additions	–	39	–	39
Disposals	–	–	(305)	(305)
At 31st December, 2003	617	540	709	1,866
DEPRECIATION				
At 1st January, 2003	493	332	329	1,154
Provided for the year	124	104	162	390
Eliminated on disposals	–	–	(264)	(264)
At 31st December, 2003	617	436	227	1,280
NET BOOK VALUES				
At 31st December, 2003	–	104	482	586
At 31st December, 2002	124	169	685	978

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17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book values of leasehold land and buildings and construction in progress shown above comprises:

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Leasehold land and buildings:		
Situated in Hong Kong held under short term leases	12,822	–
Situated in Hong Kong held under medium term leases	94,615	110,933
Situated in other regions in the PRC held under medium term leases	54,104	54,203
Situated in other regions in the PRC held under long term leases	6,386	–
Situated outside Hong Kong held under freehold	8,428	7,731
	<u>176,355</u>	<u>172,867</u>
Construction in progress:		
Situated in Hong Kong held under short term leases	38	6,769
Situated in Hong Kong held under medium term leases	2,638	2,300
Situated in other regions in the PRC held under medium term leases	15,089	217
	<u>17,765</u>	<u>9,286</u>
	<u>194,120</u>	<u>182,153</u>

Plant and machinery of the Group includes assets carried at cost of HK\$8,288,000 (2002: HK\$8,288,000) with accumulated depreciation of HK\$483,000 (2002: HK\$69,000) held for used under operating leases. Depreciation charged in respect of these assets during the year amounted to HK\$414,000 (2002: HK\$69,000).

The net book values of motor vehicles, plant and machinery and equipment and assets under installation of the Group include an amount of HK\$822,000 (2002: HK\$183,000), HK\$27,122,000 (2002: HK\$28,142,000) and Nil (2002: HK\$2,952,000) respectively in respect of assets held under finance leases.

Included in assets under installation is net interest capitalised of approximately Nil (2002: HK\$281,000).

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18. INVESTMENTS IN SUBSIDIARIES

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	251,896	247,248

Particulars of the principal subsidiaries at 31st December, 2003 are as follows:

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Advance Concord Development Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	67.5%	Property holding
China Metal Technology Holdings Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	100%	Investment holding and trading of steel and metal products
Changzhou Golik Color Coated Steel Manufactory Co., Ltd.	Equity joint venture	The People's Republic of China	US\$3,638,000 Registered capital	51.24%	Manufacturing and sales of color coated value added metals
Dah Bang Printing Ink Manufactory Limited	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$10,100,000 Non-voting deferred shares **	95%	Sales of printing materials, spare parts and machines
Dah Bang Printing Supplies Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	95%	Sales of printing materials, spare parts and machines
Daido Concrete (H.K.) Limited	Incorporated	Hong Kong	HK\$750,000,000 Ordinary shares	100%	Investment and properties holding
Daido Precast Company Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Manufacturing and sales of semi-precast concrete slab
Ding Cheong Limited	Incorporated	Hong Kong	HK\$500,000 Ordinary shares	55%	Sales of construction materials

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Golik Concrete Limited	Incorporated	Hong Kong	HK\$60,000,000 Ordinary shares	100%	Manufacturing and sales of concrete pipes and related products
Fulwealth Metal Factory Limited *	Incorporated	Hong Kong	HK\$20,000,000 Ordinary shares	77%	Decoiling centre
Golik Godown Limited	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Provision of warehouse services
Golik Metal Industrial Company Limited *	Incorporated	Hong Kong	HK\$10,000 Ordinary shares HK\$5,135,000 Non-voting deferred shares **	100%	Investment holding and sales of metal products
Golik Metal Manufacturing Co. Limited	Incorporated	Hong Kong	HK\$30,000,000 Ordinary shares	100%	Manufacturing and sales of welded wire mesh and metal products
Golik Properties Limited *	Incorporated	Hong Kong	HK\$2 Ordinary shares	100%	Property investment
Golik Steel Company Limited	Incorporated	Hong Kong	HK\$45,000,000 Ordinary shares	100%	Sales of steel bars
Heshan Hang Kei Steel Wire Manufacturing Company Limited ("Heshan Hang Kei")	Equity joint venture	The People's Republic of China	US\$3,880,000 Registered capital	60% (note)	Manufacturing and sales of steel wire products and steel ropes
Locusrite Limited	Incorporated	United Kingdom	£100,000 Ordinary shares	80%	Manufacturing and sales of metal products
Luenik Construction Material Company Limited	Incorporated	Hong Kong	HK\$400,000 Ordinary shares	67.5%	Sales of construction materials

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Form of business structure	Place of incorporation/ registration/ operation	Issued and fully paid share capital/paid up registered capital	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activities
Orient Smart Industrial Limited	Incorporated	Hong Kong	HK\$1,000,000 Ordinary shares	40.8% ***	Sales of PVC plastic products
Stahl Trading Pty Limited	Incorporated	Australia	AUS\$100 Ordinary shares	100%	Sales of steel and metal products
The Spacers & Bar Chairs Manufacturer Company Limited	Incorporated	Hong Kong	HK\$800,000 Ordinary shares	80%	Manufacturing and sales of construction materials
Tianjin Golik – No. 1 Steel Wire Rope Co., Limited	Equity joint venture	The People's Republic of China	US\$1,000,000 Registered capital	51%	Manufacturing and sales of steel wire rope for elevators
Tianjin Golik – The First PC Steel Strand Co., Limited	Equity joint venture	The People's Republic of China	RMB49,000,000 Registered capital	51%	Manufacturing and sales of prestressed steel wire
Worldlight Group Limited *	Incorporated	British Virgin Islands/ Hong Kong	US\$2 Ordinary shares	100%	Investment holding
定昌(江門)五金製品有限公司	Wholly owned foreign enterprise	The People's Republic of China	HK\$3,000,000 Registered capital	55%	Manufacturing and sales of metal products
廣東水利混凝土有限公司	Equity joint venture	The People's Republic of China	RMB27,800,000 Registered capital	82%	Operating a concrete batching plant
廣州保稅區高力金屬貿易有限公司	Equity joint venture	The People's Republic of China	HK\$5,000,000 Registered capital	80%	Sales of steel and metal products
鶴山高力金屬製品有限公司	Equity joint venture	The People's Republic of China	US\$1,030,163 Registered capital	81.6%	Manufacturing and sales of steel wire products and steel ropes

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18. INVESTMENTS IN SUBSIDIARIES (Continued)

* Subsidiaries held directly by the Company

** The deferred shares, which are not held by the Group, practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

*** The Group has 51% interest in the subsidiary through a 80% owned subsidiary.

Note

Under a joint venture agreement, the Group has contributed 60% of the registered capital in Heshan Hang Kei, an equity joint venture company in the PRC, with a term of 20 years commencing from 21st March, 1995. However, under a supplemental joint venture agreement, the Group will be entitled to 100% of the joint venture company's profit after deducting a fixed annual amount attributable to assets contributed by the PRC joint venture partner. On cessation of the joint venture company, the Group will be entitled to all assets of Heshan Hang Kei other than those contributed by the PRC joint venture partner.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

19. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	<u>1,109</u>	<u>1,257</u>

Particulars of the jointly controlled entity are as follows:

Company	Form of business structure	Place of incorporation/ registration/ operation	Class of shares	Percentage of ownership attributable to the Group	Principal activities
Kunshan Rosathal Printing Ink Limited	Equity joint venture	The People's Republic of China	Registered capital	33.25%	Manufacturing and sales of printing ink

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20. INVESTMENT IN A SECURITY

	THE GROUP AND THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Investment security:		
Equity security, unlisted at cost	—	5,000

21. LONG-TERM RECEIVABLES

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Building mortgage loans (<i>note a</i>)	514	581
Other loans (<i>note b</i>)	13,627	19,000
Retention receivables (<i>note c</i>)	—	7,477
Trade receivables (<i>note d</i>)	961	1,215
	15,102	28,273
<i>Less:</i> amounts due within one year shown under trade and other receivables	(13,237)	(22,968)
Amounts due after one year	1,865	5,305

- (a) The building mortgage loans bear interest at 3% to 4% above the Hong Kong Prime Rate per annum and are repayable by monthly instalments up to year 2009.
- (b) In prior year, a loan of HK\$15,000,000 was secured, bears interest at 4% per annum and was repaid in August, 2003. The remaining loans are unsecured, bear interest at 4% to 6% (2002: 4%) per annum and repayable up to November 2005.
- (c) The retention receivables were not yet due at the last balance sheet date according to the provisions in the construction contracts and hence, no aged analysis was presented.
- (d) The amounts are aged over 120 days and are repayable by yearly instalments up to 2006.

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22. INVENTORIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	146,016	113,816
Work in progress	12,994	9,068
Finished goods	116,084	122,763
Supplies	2,378	791
	<u>277,472</u>	<u>246,438</u>

Included above are raw materials of HK\$10,778,000 (2002: HK\$491,000), work in progress of HK\$741,000 (2002: HK\$824,000) and finished goods of HK\$34,038,000 (2002: HK\$2,888,000) which are carried at net realisable value.

23. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 0 to 180 days to its customers.

Included in trade and other receivables are trade receivables of HK\$487,669,000 (2002: HK\$371,639,000) with an aged analysis as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	189,809	141,459
31 – 60 days	143,128	105,251
61 – 90 days	77,250	53,653
91 – 120 days	32,116	30,023
More than 120 days	45,366	41,253
	<u>487,669</u>	<u>371,639</u>

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24. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
<hr/>		
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits		
less recognised losses	–	158,139
Progress payments received and receivable	–	(180,021)
	<hr/>	<hr/>
	–	(21,882)
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Amounts due from customers for contract work	–	79
Amounts due to customers for contract work	–	(21,961)
	<hr/>	<hr/>
	–	(21,882)
	<hr/>	<hr/>

25. PLEDGED BANK DEPOSITS**THE GROUP AND THE COMPANY**

The amount represents deposits pledged to banks to secure bank overdrafts, bank loans repayable within one year and import loan facilities. Accordingly, the pledged bank deposits are classified as current assets.

Amounts of approximately HK\$6,471,000 were released subsequent to the balance sheet date.

26. BANK BALANCES AND CASH**THE GROUP**

At the balance sheet date, bank balances and cash of the Group include currency denominated in Renminbi of HK\$59,192,000 (2002: HK\$22,255,000) are considered not freely convertible into other currencies.

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27. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$124,167,000 (2002: HK\$75,306,000) with an aged analysis as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	88,252	40,512
31 – 60 days	22,060	15,459
61 – 90 days	8,187	10,529
91 – 120 days	3,564	5,726
More than 120 days	2,104	3,080
	<u>124,167</u>	<u>75,306</u>

28. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand.

29. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each		
<i>Authorised:</i>		
At 31st December, 2002 and 2003	<u>1,800,000,000</u>	<u>180,000</u>
<i>Issued and fully paid:</i>		
At 31st December, 2002 and 2003	<u>567,362,500</u>	<u>56,736</u>

30. SHARE OPTION SCHEMES

- (i) Pursuant to the share option scheme of the Company adopted on 25th June, 1994 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption (i.e. 24th June, 2004), the board of directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at an exercise price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the scheme represent 10% of the issued share capital of the Company from time to time. No employee may be granted options under the scheme which would enable him or her if exercise in full to subscribe for exceeding 25% of the maximum aggregate number of shares in the capital of the Company. Upon acceptance of option, the grantee shall pay HK\$1 to the Company as consideration.

No share option was granted during the year and there was no share option outstanding as at 31st December, 2003.

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30. SHARE OPTION SCHEMES (Continued)

- (ii) Pursuant to the share option scheme of Daido adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption (i.e. 30th August, 2010), the board of directors of Daido may grant options to executive directors or full time employees of Daido to subscribe for shares in Daido at an exercise price not less than 80% of the average of the closing prices of Daido's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the scheme represent 10% of the issued share capital of Daido from time to time. No employee may be granted options under the scheme which would enable him or her if exercise in full to subscribe for exceeding 25% of the maximum aggregate number of shares in the capital of Daido. Upon acceptance of option, the grantee shall pay HK\$1 to Daido as consideration.

Details of movements during the year in Daido's share options held by employees (including directors) are as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options at 1.1.2002	Lapsed during the year	Number of share options at 31.12.2002	Lapsed during the year	Number of share options at 31.12.2003
16th November, 2000	16th May, 2001 to 15th May, 2003	HK\$0.063	145,000,000	(10,000,000)	135,000,000	(135,000,000)	Nil

As Daido was disposed of during the year, no share option was outstanding as at 31st December, 2003.

- (iii) The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities – Share Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and that such amendments became effective on 1st September, 2001.

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company's shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

As the existing schemes no longer comply with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the schemes from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules.

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31. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2002	318,118	65,891	52,628	436,637
Net loss for the year	–	–	(11,872)	(11,872)
Dividend paid	–	–	(11,347)	(11,347)
At 31st December, 2002	318,118	65,891	29,409	413,418
Net profit for the year	–	–	8,786	8,786
Dividend paid	–	–	(14,184)	(14,184)
At 31st December, 2003	318,118	65,891	24,011	408,020

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contributed surplus	65,891	65,891
Accumulated profits	24,011	29,409
	89,902	95,300

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32. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and prior reporting periods:

THE GROUP

	Accelerated tax depreciation	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2002			
– as previously reported	(9,372)	4,712	(4,660)
– adjustment on adoption of SSAP 12 (Revised)	(7,489)	9,100	1,611
– as restated	(16,861)	13,812	(3,049)
Exchange adjustments	(17)	–	(17)
Charge to income for the year	(3,310)	(156)	(3,466)
At 31st December, 2002	(20,188)	13,656	(6,532)
Exchange adjustments	(41)	–	(41)
On acquisition of subsidiaries	(7,123)	–	(7,123)
On disposal of subsidiaries	7,508	–	7,508
Charge to income for the year	(2,259)	(1,781)	(4,040)
Effect of change in tax rate – charge to income	(1,860)	1,280	(580)
At 31st December, 2003	(23,963)	13,155	(10,808)

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax assets	–	4,320
Deferred tax liabilities	(10,808)	(10,852)
	(10,808)	(6,532)

At the balance sheet date, the Group has unused tax losses of HK\$645,366,000 (2002: HK\$646,035,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$75,185,000 (2002: HK\$85,349,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$570,181,000 (2002: HK\$560,686,000) due to the unpredictability of future profit streams.

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32. DEFERRED TAXATION (Continued)

At the balance sheet date, the Group has deductible temporary differences of HK\$30,970,000 (2002: HK\$43,418,000) in respect of accelerated accounting depreciation and allowance for doubtful debt. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the balance sheet date, the Company has unused tax losses of HK\$73,534,000 (2002: HK\$62,842,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

33. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank overdrafts	8,664	21,342	–	–
Bank loans	289,981	170,525	118,025	63,750
Mortgage loans	33,307	35,575	–	–
Trust receipt loans	317,601	263,864	–	–
	649,553	491,306	118,025	63,750
Analysed as:				
Secured	195,245	157,932	118,025	63,750
Unsecured	454,308	333,374	–	–
	649,553	491,306	118,025	63,750
The bank borrowings are repayable as follows:				
On demand or within one year	515,077	394,519	48,000	22,500
More than one year, but not exceeding two years	77,792	37,836	48,000	22,500
More than two years, but not exceeding five years	50,878	52,365	22,025	18,750
More than five years	5,806	6,586	–	–
	649,553	491,306	118,025	63,750
Less: amounts due within one year shown under current liabilities	(515,077)	(394,519)	(48,000)	(22,500)
Amounts due after one year	134,476	96,787	70,025	41,250

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34. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Within one year	7,537	6,931	7,011	6,083
In the second to fifth year inclusive	7,507	13,616	7,137	12,739
	15,044	20,547	14,148	18,822
<i>Less: future finance charges</i>	(896)	(1,725)	–	–
Present value of lease obligations	14,148	18,822	14,148	18,822
<i>Less: amounts due within one year shown under current liabilities</i>			(7,011)	(6,083)
Amounts due after one year			7,137	12,739

It is the Group's policy to lease certain of its motor vehicles and plant and machinery and equipment under finance leases. The lease terms are ranging from 1 to 5 years. For the year ended 31st December, 2003, the average effective borrowing rates were ranging from 2.35% to 12.5% per annum. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

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35. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired a 61.11% interest in Lubrano Properties Limited for a cash consideration of HK\$75,635,000. On 30th November, 2002 and 30th December, 2002, the Group acquired a 82% and 95% interest in 廣東水利混凝土有限公司 and Dah Bang Printing Ink Manufactory Limited and its subsidiaries for a consideration of HK\$7,671,000 and HK\$54,414,000 respectively.

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NET ASSETS ACQUIRED		
Investments properties	505,986	–
Property, plant and equipment	–	31,501
Interest in a jointly controlled entity	–	1,257
Inventories	–	18,464
Trade and other receivables	967	57,719
Pledged bank deposits	–	4,241
Bank balances and cash	4	1,315
Trade and other payables	(3,111)	(35,842)
Tax payable	–	(3,395)
Bank and other borrowings	(426,640)	(43,077)
Bank overdrafts	–	(2,347)
Obligations under finance leases	–	(35)
Deferred tax liabilities	(7,123)	–
Minority interests	–	(4,718)
	<u>70,083</u>	<u>25,083</u>
Goodwill	5,552	38,346
Negative goodwill	–	(1,344)
	<u>75,635</u>	<u>62,085</u>
Total consideration		
Satisfied by:		
Cash	75,635	6,973
Consideration payable	–	962
Amount due from vendor	–	54,150
	<u>75,635</u>	<u>62,085</u>
Net cash outflow arising on acquisition:		
Cash consideration	(75,635)	(6,973)
Bank balances and cash acquired	4	1,315
Bank overdrafts acquired	–	(2,347)
	<u>(75,631)</u>	<u>(8,005)</u>
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries		

The subsidiaries acquired during the year contributed approximately Nil (2002: HK\$8.3 million) to the Group's turnover and approximately HK\$1.4 million (2002: HK\$0.6 million) to the Group's profit from operations.

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36. DISPOSAL OF SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NET ASSETS DISPOSED OF		
Goodwill	6,408	–
Investments properties	505,986	–
Property, plant and equipment	42,399	475
Inventories	5,585	–
Trade and other receivables	29,236	668
Amount due from customers for contract work	72	–
Bank balances and cash	21,526	5
Amount due to customers for contract work	(14,707)	–
Trade and other payables	(12,803)	(803)
Amounts due to minority shareholders	–	(45)
Bank and other borrowings	(488,140)	–
Bank overdrafts	(3,217)	–
Deferred tax liabilities	(7,508)	–
Minority interest	(32,641)	(135)
	<u>52,196</u>	<u>165</u>
Goodwill reserve realised	1,882	–
Loss on disposal	(23,088)	(55)
	<u>30,990</u>	<u>110</u>
Satisfied by:		
Consideration offset with consideration paid for acquisition of further interests in subsidiaries	30,990	–
Consideration receivable	–	110
	<u>30,990</u>	<u>110</u>
Net cash outflow arising on disposal:		
Bank balances and cash disposed of	(21,526)	(5)
Bank overdrafts disposed of	3,217	–
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries	<u>(18,309)</u>	<u>(5)</u>

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36. DISPOSAL OF SUBSIDIARIES (*Continued*)

The subsidiaries disposed of during the year contributed approximately HK\$34 million to the Group's turnover and approximately HK\$25 million to the Group's profit from operations.

The subsidiary disposed of in 2002 did not have any material effect on the turnover and the operating profit of the Group.

37. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value at the inception of the leases of HK\$1,710,000 (2002: HK\$10,993,000).
- (ii) The consideration in respect of the disposal of subsidiaries of HK\$30,990,000 (2002: Nil) was offset with the consideration paid for acquisition of further interests in subsidiaries.
- (iii) The consideration in respect of the disposal of property, plant and equipment of HK\$2,157,000 (2002: HK\$3,095,000) has not been received at the balance sheet date.
- (iv) The consideration in respect of the purchase of property, plant and equipment of HK\$15,937,000 (2002: Nil) has not been paid at the balance sheet date.
- (v) The consideration in respect of the disposal of a subsidiary of HK\$110,000 (2002: HK\$110,000) had not been received at the balance sheet date.
- (vi) During the year, injection from minority shareholders of Nil (2002: HK\$14,096,000) is in form of property, plant and equipment.
- (vii) The consideration in respect of the acquisition of a subsidiary amounting to Nil (2002: HK\$54,150,000) was satisfied by amount due from the vendor.
- (viii) The consideration in respect of the acquisition of subsidiaries of Nil (2002: HK\$2,525,000) had not been settled at the balance sheet date.

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38. PLEDGE OF ASSETS

At the balance sheet date, the Group had pledged the following assets to banks as securities against banking facilities granted to the Group:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment properties	44,560	45,100
Land and buildings	71,735	72,765
Furniture and fixtures	107	121
Motor vehicles	–	35
Plant and machinery and equipment	25,232	6,078
Assets under installation	–	5,712
Bank deposits	22,414	14,536
	164,048	144,347

In addition,

- (i) The Group has created a floating charge over other assets with a carrying value of HK\$17,161,000 (2002: HK\$15,569,000) to banks as securities against banking facilities granted to the Group.
- (ii) In prior year, the Group had pledged the shares of one of its subsidiaries with a market value of HK\$51,102,000, representing the Group's 50.1% interest in this subsidiary as securities against banking facilities granted to the Group.
- (iii) In prior year, the Group had pledged the property, plant and equipment of RMB27,235,000 to a PRC court as securities against a court case in respect of default in repayment of bank borrowings which have been repaid in that year.

In prior year, the Company had pledged bank deposits of HK\$6,408,000 to banks as securities against banking facilities granted to the Company.

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39. CONTINGENT LIABILITIES

The Group

Pursuant to an agreement entered on 21st August, 2003 in respect of disposal of Daido, the Group has given guarantees of HK\$3,000,000 to the former subsidiary in respect of certain claims from the workers with accidents occurred in previous years and the repayment of certain trade receivable balances of HK\$1,417,000. No demand notes have been received in respect of any claims for such guarantees. The directors are of the opinion that the claims are not probable and, accordingly, no provision has been made in the financial statements.

The Company

- (i) At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$1,219,678,000 (2002: HK\$990,319,000) to banks to secure banking facilities granted to its subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2003 amounted to HK\$471,718,000 (2002: HK\$390,908,000).
- (ii) At the balance sheet date, the Company had provided corporate guarantees to the extent of HK\$17,578,000 (2002: HK\$12,978,000) to financial institutions to secure finance leases facilities granted to its subsidiaries. The total finance lease obligations outstanding as at 31st December, 2003 amounting to HK\$13,928,000 (2002: HK\$9,534,000).

40. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee:

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Land and buildings				
Within one year	12,834	14,697	1,394	1,780
In the second to fifth year inclusive	35,066	40,694	355	242
After five years	14,291	23,549	—	—
	<u>62,191</u>	<u>78,940</u>	<u>1,749</u>	<u>2,022</u>
Plant and machinery and equipment				
Within one year	2,659	2,434	—	—
In the second to fifth year inclusive	7,626	9,000	—	—
After five years	1,484	—	—	—
	<u>11,769</u>	<u>11,434</u>	<u>—</u>	<u>—</u>

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40. OPERATING LEASE COMMITMENTS (Continued)

Operating lease payments represent rentals payable by the Group and the Company for certain of its office premises, staff quarters and plant and machinery and equipment. Leases of office premises and staff quarters are negotiated for terms ranging from one to twenty-five years. Leases of plant and machinery and equipment are negotiated for terms ranging from five to ten years.

The Group as lessor:

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings		
Within one year	1,345	751
In the second to fifth year inclusive	1,043	510
	<u>2,388</u>	<u>1,261</u>
Plant and machinery and equipment		
Within one year	1,661	1,938
In the second to fifth year inclusive	492	2,157
	<u>2,153</u>	<u>4,095</u>

All of the properties held have committed tenants for the next one to five years.

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41. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of acquisition of property, plant and equipment:		
Contracted for but not provided in the financial statements	3,825	7,147
Authorised but not contracted for	<u>10,035</u>	<u>—</u>
	<u>13,860</u>	<u>7,147</u>

At the balance sheet date, certain subsidiaries of the Group had entered into agreements to invest RMB2,054,000 (2002: RMB4,276,000) in equity joint ventures in the PRC.

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

42. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of independent trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes at amount ranging from 5% to 10% of relevant payroll costs to the Scheme.

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially deferred contribution schemes.

During the year, the Group made retirement benefits scheme contributions of HK\$3,698,000 (2002: HK\$3,103,000) after forfeited contributions utilised in the Group's ORSO Scheme of HK\$466,000 (2002: HK\$594,000).

Financial Summary

	Year ended 31st December,				
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)	2003 <i>HK\$'000</i>
RESULTS					
Turnover					
Continuing operations	978,708	951,524	944,697	1,177,175	2,128,301
Discontinued operations	48,939	169,932	63,461	62,306	34,178
	<u>1,027,647</u>	<u>1,121,456</u>	<u>1,008,158</u>	<u>1,239,481</u>	<u>2,162,479</u>
Operating profit					
Continuing operations	63,294	46,997	42,840	69,374	68,023
Discontinued operations	13,941	37,719	30,427	24,691	24,527
Finance costs	(15,769)	(23,648)	(19,810)	(19,041)	(27,850)
Loss on disposal of subsidiaries/ discontinued operations	–	–	–	(4,555)	(23,088)
Share of results of a jointly controlled entity	(166)	(1,614)	–	–	(148)
Profit before taxation	61,300	59,454	53,457	70,469	41,464
Income taxes	(6,697)	(762)	2,521	(9,766)	(8,009)
Profit after taxation	54,603	58,692	55,978	60,703	33,455
Minority interests	(13,192)	(24,982)	(21,714)	(22,027)	(20,808)
Net profit for the year	<u>41,411</u>	<u>33,710</u>	<u>34,264</u>	<u>38,676</u>	<u>12,647</u>
ASSETS AND LIABILITIES					
	At 31st December,				
	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (restated)	2003 <i>HK\$'000</i>
Total assets	918,935	998,618	1,045,501	1,326,566	1,487,350
Total liabilities	(453,366)	(531,982)	(535,438)	(749,813)	(957,886)
Minority interests	(123,549)	(107,240)	(115,658)	(151,854)	(104,769)
Shareholders' funds	<u>342,020</u>	<u>359,396</u>	<u>394,405</u>	<u>424,899</u>	<u>424,695</u>

Notes: The results of the Group for the year ended 31st December, 2002 and summary of assets and liabilities of the Group as at 31st December 2002 have been extracted from the Company's annual reports after restatement to reflect the effect of the prior period adjustments on adoption of SSAP 12 (Revised). No restatement was made from 1999 to 2001 in respect of the adoption of SSAP 12 (Revised) as the directors of the Company considered it is not practical to do so.