

CORPORATE INFORMATION

Executive Directors

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

Non-Executive Directors

Mr. Song Zuoxing
(*resigned on 31 May, 2001*)
Madam Song Tao
(*resigned on 31 May, 2001*)

Independent Non-Executive Directors

Mr. Li Chiu Wah, Joseph
Mr. Yu Kwok Kan, Stephen

Company Secretary

Mr. Ho Wai Yu, Sammy
AAIA AHKSA MBIM

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

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www.golik.com
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Auditors

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

Principal Bankers

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

Hong Kong Branch Share Registrar and Transfer Office

Secretaries Limited
5th Floor, Wing On Centre
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Hong Kong

Investor and Media Relations

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INTERIM RESULTS

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

Condensed Consolidated Income Statement

| | Notes | Six months ended 30th June, | |
|---|-------|--------------------------------|--------------------------------|
| | | 2001 HK\$'000 | 2000 (Restated) HK\$'000 |
| Turnover | | 498,941 | 599,686 |
| Cost of sales | | (413,745) | (496,487) |
| Gross profit | | 85,196 | 103,199 |
| Other revenue | | 12,631 | 11,148 |
| Selling and distribution costs | | (14,899) | (11,379) |
| Administrative expenses | | (44,673) | (58,486) |
| Other operating expenses | | (133) | (4,345) |
| Write back of provision for claims | 4 | 6,898 | - |
| Profit from operations | 5 | 45,020 | 40,137 |
| Written off of expenses for proposed investment | 6 | (7,079) | - |
| Finance costs | 7 | (11,143) | (10,635) |
| Interest income | | 3,069 | 5,094 |
| Loss on disposal of an interest in a subsidiary | | (34) | - |
| Share of results of a jointly controlled entity | | - | (1,383) |
| Profit before taxation | | 29,833 | 33,213 |
| Taxation | 8 | (1,787) | (2,392) |
| Profit after taxation | | 28,046 | 30,821 |
| Minority interests | | (11,681) | (12,800) |
| Net profit for the period | | 16,365 | 18,021 |
| Dividend | 9 | - | (11,338) |
| Earnings per share | 10 | | |
| Basic | | 2.88 cents | 3.20 cents |
| Diluted | | 2.86 cents | 3.19 cents |

Condensed Consolidated Balance Sheet

| | Notes | 30.6.2001 (unaudited) HK\$'000 | 31.12.2000 (audited) HK\$'000 |
|--|-------|--------------------------------------|-------------------------------------|
| Non-current Assets | | | |
| Investment properties | | 46,600 | 46,600 |
| Property, plant and equipment | 11 | 306,937 | 289,377 |
| Goodwill | | 1,231 | – |
| Investment in a security | | 5,000 | 5,000 |
| Long-term receivables | | 1,798 | 3,342 |
| Rental deposits and other assets | | 814 | 5,908 |
| | | <u>362,380</u> | <u>350,227</u> |
| Current Assets | | | |
| Inventories | 12 | 144,424 | 165,440 |
| Trade and other receivables | 13 | 372,437 | 359,245 |
| Amounts due from customers for contract work | | 126 | 134 |
| Amounts due from minority shareholders | | 153 | 233 |
| Tax recoverable | | 147 | 1,510 |
| Pledged bank deposits | 18 | – | 16,094 |
| Bank balances and cash | | 93,765 | 105,735 |
| | | <u>611,052</u> | <u>648,391</u> |
| Current Liabilities | | | |
| Trade and other payables | 14 | 114,771 | 162,241 |
| Amounts due to customers for contract work | | 39,017 | 48,295 |
| Amounts due to minority shareholders | | 11,230 | 10,792 |
| Notes payable to a shareholder | 15 | – | 22,850 |
| Tax payable | | 789 | 365 |
| Bank borrowings | 15 | 265,885 | 257,229 |
| Obligations under finance leases and hire purchase contracts | | 4,402 | 3,519 |
| | | <u>436,094</u> | <u>505,291</u> |
| Net Current Assets | | <u>174,958</u> | <u>143,100</u> |
| | | <u>537,338</u> | <u>493,327</u> |

Condensed Consolidated Balance Sheet (Cont'd)

| | Notes | 30.6.2001 (unaudited) HK\$'000 | 31.12.2000 (audited) HK\$'000 |
|---|-------|--------------------------------------|-------------------------------------|
| Capital and Reserves | | | |
| Share capital | 16 | 56,736 | 56,688 |
| Reserves | 17 | 319,205 | 302,708 |
| | | <u>375,941</u> | <u>359,396</u> |
| Minority interests | | <u>121,797</u> | <u>107,240</u> |
| Non-current Liabilities | | | |
| Deferred tax | | 9,408 | 9,410 |
| Bank borrowings | 15 | 28,317 | 12,522 |
| Obligations under finance leases and hire purchase contracts | | 1,875 | 2,651 |
| Long-term payable | | – | 2,108 |
| | | <u>39,600</u> | <u>26,691</u> |
| | | <u>537,338</u> | <u>493,327</u> |

Condensed Consolidated Statement of Recognised Gains & Losses

| | Six months ended 30th June, 2001 (unaudited) <i>HK\$'000</i> |
|--|---|
| Exchange differences arising on translation of overseas operations not recognised in the consolidated income statement | 7 |
| Net profit for the period | <u>16,365</u> |
| Total recognised gains | <u>16,372</u> |
| Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (see note 2) | |
| – increase in retained profits at 1st January, 2000 | <u>11,168</u> |

Condensed Consolidated Cash Flow Statement

| | Six months ended 30th June, 2001 (unaudited) HK\$'000 |
|--|--|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | <u>16,824</u> |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | <u>(15,397)</u> |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | <u>(13,707)</u> |
| NET CASH OUTFLOW BEFORE FINANCING | <u>(12,280)</u> |
| NET CASH INFLOW FROM FINANCING | <u>23,582</u> |
| INCREASE IN CASH AND CASH EQUIVALENTS | 11,302 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 74,871 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | <u>57</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | <u>86,230</u> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS | |
| Bank balances and cash | 93,765 |
| Bank overdrafts | <u>(7,535)</u> |
| | <u>86,230</u> |

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("SEHK") and with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of SSAP 25, as permitted by the Listing Rules, no comparative amounts have been presented for:

- the condensed statement of recognised gains and losses; and
- the condensed cash flow statement.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31st December, 2000 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability in the balance sheet. In previous years, the declaration of dividends after the balance sheet date was treated as an adjusting post balance sheet event. The effect of this change has been to increase shareholders' funds at 1st January, 2000 by HK\$11,168,000. Comparative information has been restated to reflect this change in accounting policy.

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

Segment reporting

SSAP 26 "Segment reporting", which has been adopted for the first time in this interim financial report period, has established principles for reporting a segmental analysis of financial information. The details are set out in note 3.

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which is probable will result in an outflow of economic benefits that can be reasonably estimated.

Goodwill

In the current period, the Group has adopted SSAP 30 "Business combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is 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. Negative goodwill arising on acquisitions prior to 1st January, 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life i.e. over a period of 10 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Impairment of assets

SSAP 31 "Impairment of Assets" is effective for periods beginning on or after 1st January, 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties.

With the exception of SSAP 9 (Revised), the adoption of the above Standards has had no material effect on amounts reported in prior periods.

3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the six months ended 30th June, 2001, analysed by business segment and by geographical segment, are as follows:

By business segment:

For the six months ended 30th June, 2001

| | Manufacturing of steel and metal products HK\$'000 | Trading of steel and metal products HK\$'000 | Construction work contracting and sale of concrete products HK\$'000 | Manufacturing of construction materials HK\$'000 | Trading of construction materials HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--------------------------------|--|--|--|--|---|--------------------------|--------------------------|
| REVENUE | | | | | | | |
| External sales | 225,530 | 88,653 | 31,167 | 56,000 | 97,591 | - | 498,941 |
| Inter-segment sales | 6,822 | 13,626 | 44 | 903 | 11,742 | (33,137) | - |
| Total revenue | <u>232,352</u> | <u>102,279</u> | <u>31,211</u> | <u>56,903</u> | <u>109,333</u> | <u>(33,137)</u> | <u>498,941</u> |
| SEGMENT RESULT | <u>22,629</u> | <u>(1,028)</u> | <u>12,778</u> | <u>5,153</u> | <u>1,958</u> | <u>70</u> | <u>41,560</u> |
| Unallocated other revenue | | | | | | | 6,898 |
| Unallocated corporate expenses | | | | | | | (3,438) |
| Profit from operations | | | | | | | <u>45,020</u> |

For the six months ended 30th June, 2000

| | Manufacturing of steel and metal products HK\$'000 | Trading of steel and metal products HK\$'000 | Construction work contracting and sale of concrete products HK\$'000 | Manufacturing of construction materials HK\$'000 | Trading of construction materials HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--------------------------------|--|--|--|--|---|--------------------------|--------------------------|
| REVENUE | | | | | | | |
| External sales | 221,510 | 159,245 | 112,842 | 52,665 | 53,424 | - | 599,686 |
| Inter-segment sales | 2,856 | 15,818 | - | 5,281 | 10,382 | (34,337) | - |
| Total revenue | <u>224,366</u> | <u>175,063</u> | <u>112,842</u> | <u>57,946</u> | <u>63,806</u> | <u>(34,337)</u> | <u>599,686</u> |
| SEGMENT RESULT | <u>29,098</u> | <u>(1,334)</u> | <u>20,759</u> | <u>1,810</u> | <u>2,328</u> | <u>185</u> | <u>52,846</u> |
| Unallocated corporate expenses | | | | | | | (12,709) |
| Profit from operations | | | | | | | <u>40,137</u> |

3. SEGMENT INFORMATION (Cont'd)

By geographical segment:

For the six months ended 30th June, 2001

| | Hong Kong HK\$'000 | Other regions in the PRC HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--------------------------------|-----------------------|--|--------------------|--------------------------|--------------------------|
| REVENUE | | | | | |
| External sales | 361,294 | 126,936 | 10,711 | - | 498,941 |
| Inter-segment sales | 17,039 | 16,562 | 1,743 | (35,344) | - |
| Total revenue | <u>378,333</u> | <u>143,498</u> | <u>12,454</u> | <u>(35,344)</u> | <u>498,941</u> |
| SEGMENT RESULT | <u>36,896</u> | <u>3,418</u> | <u>1,176</u> | <u>70</u> | <u>41,560</u> |
| Unallocated other revenue | | | | | 6,898 |
| Unallocated corporate expenses | | | | | (3,438) |
| Profit from operations | | | | | <u>45,020</u> |

For the six months ended 30th June, 2000

| | Hong Kong HK\$'000 | Other regions in the PRC HK\$'000 | Others HK\$'000 | Eliminations HK\$'000 | Consolidated HK\$'000 |
|--------------------------------|-----------------------|--|--------------------|--------------------------|--------------------------|
| REVENUE | | | | | |
| External sales | 399,647 | 165,266 | 34,773 | - | 599,686 |
| Inter-segment sales | 28,720 | 9,080 | 1,893 | (39,693) | - |
| Total revenue | <u>428,367</u> | <u>174,346</u> | <u>36,666</u> | <u>(39,693)</u> | <u>599,686</u> |
| SEGMENT RESULT | <u>51,106</u> | <u>1,799</u> | <u>(244)</u> | <u>185</u> | <u>52,846</u> |
| Unallocated corporate expenses | | | | | (12,709) |
| Profit from operations | | | | | <u>40,137</u> |

4. WRITE BACK OF PROVISION FOR CLAIMS

The amount represented the reversal of a warranty provision in respect of trading of concrete products and property development businesses in the prior period. In the opinion of the directors, the warranty provision is no longer required since the warranty period has lapsed.

5. PROFIT FROM OPERATIONS

| | Six months ended 30.6.2001 HK\$'000 | Six months ended 30.6.2000 HK\$'000 |
|---|--|--|
| Profit from operations has been arrived at after charging (crediting): | | |
| Amortisation of goodwill | 65 | – |
| Depreciation | | |
| – owned assets | 10,750 | 10,034 |
| – assets held under finance leases and hire purchase contracts | 539 | 370 |
| Loss (gain) on disposal of property, plant and equipment | 68 | (1,366) |

6. WRITTEN OFF OF EXPENSES FOR PROPOSED INVESTMENT

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

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

6. WRITTEN OFF OF EXPENSES FOR PROPOSED INVESTMENT (Cont'd)

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

7. FINANCE COSTS

| | Six months ended 30.6.2001 HK\$'000 | Six months ended 30.6.2000 HK\$'000 |
|--|--|--|
| Interest on: | | |
| Bank borrowings wholly repayable within five years | 10,084 | 9,939 |
| Finance leases and hire purchase contracts | 261 | 65 |
| Notes payable to a shareholder | 157 | - |
| Other borrowings wholly repayable within five years | 641 | 631 |
| | <u>11,143</u> | <u>10,635</u> |

8. TAXATION

| | Six months ended 30.6.2001 HK\$'000 | Six months ended 30.6.2000 HK\$'000 |
|-----------------------|--|--|
| The charge comprises: | | |
| Hong Kong Profits Tax | | |
| Current period | 1,661 | 2,228 |
| Overseas taxation | | |
| Current period | 126 | 164 |
| | <u>1,787</u> | <u>2,392</u> |

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

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

9. DIVIDEND

On 23rd June, 2000, a dividend of HK\$0.02 per share was paid to shareholders as the final dividend for the year ended 31st December, 1999. No dividend was paid in respect of the year ended 31st December, 2000.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2001.

10. EARNINGS PER SHARE

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

| | Six months ended 30.6.2001 HK\$'000 | Six months ended 30.6.2000 HK\$'000 |
|---|--|--|
| Earnings for the purpose of basic earnings per share | 16,365 | 18,021 |
| Adjustment to the share of result of subsidiaries based on the effect of dilutive share options | <u>(145)</u> | <u>-</u> |
| Earnings for the purpose of diluted earnings per share | <u>16,220</u> | <u>18,021</u> |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 567,282,113 | 563,841,786 |
| Effect of dilutive share options | <u>133,140</u> | <u>867,474</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>567,415,253</u> | <u>564,709,260</u> |

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$29 million on the acquisition of assets in order to facilitate its manufacturing capabilities.

12. INVENTORIES

Included in inventories are raw materials of HK\$Nil (31.12.2000: HK\$625,000), work in progress of HK\$Nil (31.12.2000: HK\$258,000) and finished goods of HK\$Nil (31.12.2000: HK\$5,247,000) which are carried at net realisable value.

13. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from C.O.D. to 150 days to its customers.

Included in trade and other receivables are trade receivables of HK\$261,090,000 (31.12.2000: HK\$247,736,000) with an aged analysis as follows:

| | 30.6.2001 | 31.12.2000 |
|--------------------|-----------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 97,244 | 129,482 |
| 31 – 60 days | 70,323 | 55,405 |
| 61 – 90 days | 34,192 | 32,621 |
| 91 – 120 days | 25,042 | 17,020 |
| More than 120 days | 34,289 | 13,208 |
| | <u>261,090</u> | <u>247,736</u> |

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$34,123,000 (31.12.2000: HK\$51,079,000) with an aged analysis as follows:

| | 30.6.2001 | 31.12.2000 |
|--------------------|----------------------|----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 – 30 days | 19,414 | 22,808 |
| 31 – 60 days | 8,282 | 22,635 |
| 61 – 90 days | 3,984 | 3,872 |
| 91 – 120 days | 1,902 | 212 |
| More than 120 days | 541 | 1,552 |
| | <u>34,123</u> | <u>51,079</u> |

15. NOTES PAYABLE TO A SHAREHOLDER AND BANK BORROWINGS

During the period, notes payable to a shareholder of HK\$22,850,000 were fully repaid. In addition, the Group raised bank loans of HK\$68,767,000 and repaid bank loans of HK\$44,244,000.

16. SHARE CAPITAL

| | Six months ended 30.6.2001 | | Year ended 31.12.2000 | |
|---|-------------------------------|--------------------|--------------------------|--------------------|
| | Number of shares | Amount HK\$'000 | Number of shares | Amount HK\$'000 |
| Ordinary shares of HK\$0.10 each | | | | |
| <i>Authorised:</i> | | | | |
| At beginning and end of the period/year | <u>1,800,000,000</u> | <u>180,000</u> | <u>1,800,000,000</u> | <u>180,000</u> |
| <i>Issued and fully paid:</i> | | | | |
| At beginning of the period/year | <u>566,877,500</u> | <u>56,688</u> | 558,377,500 | 55,838 |
| Issued upon the exercise of options | <u>485,000</u> | <u>48</u> | <u>8,500,000</u> | <u>850</u> |
| At end of the period/year | <u>567,362,500</u> | <u>56,736</u> | <u>566,877,500</u> | <u>56,688</u> |

During the period/year, 485,000 ordinary shares (1.1.2000 to 31.12.2000: 8,500,000 ordinary shares) of the Company were issued at HK\$0.24 per share upon the exercise of options by option holders.

17. RESERVES

| | Share premium HK\$'000 | Revaluation reserve HK\$'000 | Goodwill reserve HK\$'000 | Exchange reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------------|---------------------------------|---------------------------------|---------------------------------|-------------------|
| At 1st January, 2000 | | | | | | |
| – as previously stated | 316,885 | 19,367 | (181,262) | 11 | 120,013 | 275,014 |
| – prior year adjustment (see note 2) | – | – | – | – | 11,168 | 11,168 |
| – as restated | 316,885 | 19,367 | (181,262) | 11 | 131,181 | 286,182 |
| Exchange differences arising from the translation of overseas subsidiaries | – | – | – | 204 | – | 204 |
| Goodwill arising on acquisition of subsidiaries | – | – | (1,734) | – | – | (1,734) |
| Goodwill arising on acquisition of further interests in subsidiaries | – | – | (5,481) | – | – | (5,481) |
| Share issued at premium | 1,190 | – | – | – | – | 1,190 |
| Expenses on issue of shares | (25) | – | – | – | – | (25) |
| Net profit for the year | – | – | – | – | 33,710 | 33,710 |
| Dividends paid | – | – | – | – | (11,338) | (11,338) |
| At 31st December, 2000 | 318,050 | 19,367 | (188,477) | 215 | 153,553 | 302,708 |
| Exchange differences arising from translation of overseas subsidiaries | – | – | – | 7 | – | 7 |
| Goodwill released on disposal of an interest in a subsidiary | – | – | 57 | – | – | 57 |
| Share issued at premium | 68 | – | – | – | – | 68 |
| Net profit for the period | – | – | – | – | 16,365 | 16,365 |
| At 30th June, 2001 | 318,118 | 19,367 | (188,420) | 222 | 169,918 | 319,205 |

18. PLEDGE OF ASSETS

At 30th June, 2001, the Group has pledged the following assets to financial institutions as securities for general banking facilities granted to the Group:

| | 30.6.2001 <i>HK\$'000</i> | 31.12.2000 <i>HK\$'000</i> |
|-----------------------|-------------------------------------|-------------------------------|
| Investment properties | 46,600 | 17,700 |
| Land and buildings | 55,829 | 49,592 |
| Plant and machinery | 3,641 | 3,851 |
| Bank deposits | – | 16,094 |
| | <u>106,070</u> | <u>87,237</u> |

In addition, the Group has also pledged the shares of one of its subsidiaries with market value of approximately HK\$126,252,000 (31.12.2000: HK\$Nil) representing the Group's 50.1% interest in this subsidiary to a financial institution as securities for general banking facilities granted to the Group.

19. CAPITAL COMMITMENTS

| | 30.6.2001 <i>HK\$'000</i> | 31.12.2000 <i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------|
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements | – | <u>11,521</u> |

20. POST BALANCE SHEET EVENT

On 17th August, 2001, the Group entered into a conditional agreement to acquire 68% of the issued share capital of a company engaging in the manufacture and sale of concrete and concrete products, for a consideration of HK\$5,280,000.

BUSINESS REVIEW

During the first half of 2001, the performance of the Group was stable and satisfactory, despite the general influence of the global economic downturn and the reduced local public housing construction, due to the Group having developed the overseas markets successfully and implemented effective cost control and product diversification.

Steel And Metal Products

(1) *Manufacturing of Steel and Metal Products*

Value-added steel and metal manufacturing business remains the core business of the Group and shows stable performance during the period under review, accounting for 45% of the Group's turnover.

- Decoiling Center

The Group's business has been slightly affected by the global economic downturn. However, both the turnover and profit remain stable.

- Steel Wire and Wire Rope

Stable performance is also maintained for the steel wire and wire rope business. The Group's subsidiary, Heshan Hang Kei Steel Wire Manufacturing Co. Ltd., has been awarded the "Top 10 Brand Name in China" and has successfully passed the pre-qualifying requirement of the "Three Gorges Dam Project" of which the Group will be one of the suppliers of electric steel wire rope. The Group foresees that the Project will bring about a substantial amount of business in the next few years.

(2) *Trading of Steel and Metal Products*

The export and import of steel and metal products has been experiencing a downturn. The distribution of steel reinforcement is still under the impact of downward pricing pressure. However, the Group's market position has been well established.

Construction Materials

(1) *Manufacturing of Construction Materials*

Since the Government has reduced the construction of public housing, a portion of the Group's construction material has experienced a decrease in demand. In order to combat this situation, the Group has implemented corresponding strategies since last year. These include stringent cost control measures, product and client base diversification, particularly in developing the environmental friendly construction material.

The Group has invested in a newly developed environmental friendly construction product called "Semi-Precast Concrete Slab" (Daido Superslab) which has been launched in August 2001. The preliminary market response is favorable and the Daido Superslab is expected to obtain approval from the Housing Authority in building public housing.

Daido mainly engages in the manufacture of Autoclaved Aerated Lightweight Concrete Blocks and Panels ("ALC Products"). The high quality ALC Products are perceived favorably by the market in Japan as well as the private sector in Hong Kong.

(2) *Trading of Construction Materials*

Business slightly improved as compared with last year due to the commencement of several large-scale infrastructure projects.

LIQUIDITY AND CAPITAL RESOURCES

The Group's financial position is healthy and stable. As at 30th June, 2001, the Group's cash and bank deposits reached HK\$94 million. Bank borrowings rose by 9% over prior year end to approximately HK\$294 million.

The business operation was generally financed by the Group's internal funding. For the period, the Group maintained a healthy liquidity status with net cash inflow from operating activities amounting approximately HK\$17 million.

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

CAPITAL STRUCTURE

During the period, except for the total of 485,000 share options exercised by the option holders of the Company, there was no change to the share capital of the Company. The Group's operation was financed by shareholders' equity.

As at 30th June, 2001, consolidated shareholders' equity reached HK\$376 million and aggregated interest-bearing borrowings was approximately HK\$300 million. The Group's debt to equity ratio was approximately 80%.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2001, the total number of staff of the Group in Hong Kong and the PRC was 825. In addition to the set up of the share option scheme, the Group also provided Mandatory Provident Fund entitlement to Hong Kong employees.

PROSPECTS – PROGRESS THROUGH STABILITY

Confronting with the current global economic contraction, the Group is determined to make every endeavor to cope with this situation. The strategic approach is effective cost control. Moreover, the Group's value-added steel and metal manufacturing operations will remain stable and it will keep on participating in upcoming infrastructure projects to maintain the Group as a major construction material supplier in Hong Kong.

The Group believes that China's imminent accession to the World Trade Organization and the winning of the hosting country of 2008 Olympic Games open up new business opportunities for the Group. The construction material business in China will have enormous development potential. The Group will strive to capture this business potential by using the inherent professional knowledge and management experience in order to further improve its business in China.

In order to overcome the shortage of sales, the Group takes active approach to expand both product range and markets. The Group strives to grasp every business opportunity by all means. The Group endeavors to succeed from its inherent foundation. The path to success is to progress through maintaining stability amid the deteriorating economy.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2001, the interests of the Company's directors and their associates in the issued share capital of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

(1) Shares

| Name of Directors | Number of shares held | |
|---------------------------|-----------------------|---------------------|
| | Personal Interests | Corporate Interests |
| Mr. Pang Tak Chung (Note) | 135,195,000 | 195,646,500 |
| Mr. Ho Wai Yu, Sammy | 4,002,000 | – |
| Mr. Robert Keith Davies | 1,544,000 | – |

Note:

The 195,646,500 shares are held by Golik Investments Ltd. ("GIL"). GIL is a wholly owned subsidiary of Golik International Group Limited. Golik International Group Limited 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) Shares in a Subsidiary

As at 30th June, 2001, Mr. Pang Tak Chung has personal and corporate interests in 5,850 and 20,000 non-voting deferred shares respectively in Golik Metal Industrial Company Limited. The corporate interest is held by World Producer Limited.

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

(3) Options

As at 30th June, 2001, the following directors has interests that are required to be recorded in the register kept by the Company pursuant to Section 16 of the SDI Ordinance being options granted under the share option scheme of the Company and Daido to subscribe for shares in the capital of the Company and Daido respectively:–

(i) The Company

Pursuant to the share option scheme of the Company adopted on 25th June, 1994, the following Director was granted the following numbers of option shares to subscribe for the ordinary shares of HK\$0.10 each in the share capital of the Company:–

| Names of Directors | Date of Grant | Exercisable Period (both dates inclusive) | Exercise Price HK\$ | Number of Share Options | | | Balance at 30.6.2001 |
|-----------------------|------------------|---|---------------------------|-------------------------|--------------------------------|-----------------------------------|-------------------------|
| | | | | Balance at 1.1.2001 | Lapsed during the period | Exercised during the period | |
| Madam Song Tao | 27/11/1998 | 27/5/1999 to 26/5/2001 | 0.24 | 2,500,000 | 2,015,000 | 485,000 | Nil |

During the period, a total 2,015,000 share options lapsed on 26th May, 2001 and a total 485,000 share options with an exercise price of HK\$0.24 per share were exercised.

(ii) Daido

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

(3) Options (Cont'd)

| Names of Directors | Date of Grant | Exercisable Period (both dates inclusive) | Exercise Price HK\$ | Number of Share Options | | | |
|----------------------------|------------------|---|---------------------------|-------------------------|--------------------------------|-----------------------------------|-------------------------|
| | | | | Balance at 1.1.2001 | Lapsed during the period | Exercised during the period | Balance at 30.6.2001 |
| Mr. Pang Tak Chung | 16/11/2000 | 16/5/2001 to 15/5/2003 | 0.063 | 50,000,000 | - | - | 50,000,000 |
| Mr. Ho Wai Yu, Sammy | 16/11/2000 | 16/5/2001 to 15/5/2003 | 0.063 | 20,000,000 | - | - | 20,000,000 |
| Mr. Robert Keith Davies | 16/11/2000 | 16/5/2001 to 15/5/2003 | 0.063 | 20,000,000 | - | - | 20,000,000 |

No share option was exercised by the directors during the period.

Save as disclosed above, none of the Directors, or their spouse or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the issued share capital of the Company:

| Names | Number of shares held | Approximate percentage of holding |
|------------------------------------|------------------------------|--|
| Mr. Pang Tak Chung (<i>Note</i>) | 330,841,500 | 58.31% |
| Golik Investments Ltd. ("GIL") | 195,646,500 | 34.48% |

Note: Including corporate interest in 195,646,500 shares through GIL and personal interest in 135,195,000 shares

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital during the period.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th June, 2001 with those paragraphs of the Code of Best Practice, as set out in Appendix 14 of the Listing Rules on the SEHK, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Company for the six months ended 30th June, 2001.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2001.

APPRECIATION

The Board of Directors would like to take this opportunity to express our heartfelt thanks to the support from all of the staff for their dedication and hard work during the year. We would like to offer our sincere gratitude to all our shareholders, customers, bankers as well as our business associates for their continued support and advice. We are expecting their continuous support and contribution will make aspiring achievement in the second half year.

By Order of the Board
Pang Tak Chung
Chairman

Hong Kong, 17th September, 2001