

INTERIM RESULTS

The Board of Directors of Daido Group 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	3	113,125	148,124
Cost of sales		(85,897)	(111,627)
Gross profit		27,228	36,497
Other revenue		2,728	2,953
Selling and distribution costs		(4,415)	(2,043)
Administrative expenses		(13,592)	(11,974)
Write back of provision (provision made) for obsolete inventories		168	(1,804)
Write back of provision (provision made) for bad and doubtful debts		2,871	(3,255)
Write back of provision (provision made) for restructuring fees	4	811	(4,000)
Write back of provision for claims	5	6,898	-
Profit from operations	6	22,697	16,374
Written off of expenses for proposed investment	7	(7,079)	-
Finance costs	8	(1,445)	(256)
Interest income		1,685	2,315
Share of results of a jointly controlled entity		-	(1,383)
Profit before taxation		15,858	17,050
Taxation	9	(262)	-
Profit after taxation		15,596	17,050
Minority interests		-	2
Net profit for the period		15,596	17,052
Dividend	10	(9,000)	-
Earnings per share	11		
Basic		0.520 cents	0.568 cents
Diluted		0.511 cents	-

Condensed Consolidated Balance Sheet

		30.6.2001	31.12.2000 (Restated)
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	12	130,874	117,606
Long-term receivables		668	2,049
Rental deposits and other assets		577	5,199
		<u>132,119</u>	<u>124,854</u>
Current Assets			
Inventories		25,952	31,919
Trade and other receivables	13	86,981	69,766
Amounts due from customers for contract work		126	134
Amounts due from fellow subsidiaries		620	-
Tax recoverable		17	121
Pledged bank deposits	18	-	15,931
Bank balances and cash		51,018	53,417
		<u>164,714</u>	<u>171,288</u>
Current Liabilities			
Trade and other payables	14	25,618	56,175
Amounts due to customers for contract work		39,017	48,295
Amounts due to fellow subsidiaries		14,412	19,238
Promissory note due to a fellow subsidiary		20,000	20,000
Tax payable		158	-
Bank borrowings	15	43,960	6,621
Obligations under finance leases		2,095	1,194
		<u>145,260</u>	<u>151,523</u>
Net Current Assets		<u>19,454</u>	<u>19,765</u>
		<u>151,573</u>	<u>144,619</u>
Capital and Reserves			
Share capital	16	30,000	30,000
Reserves	17	114,889	108,293
		<u>144,889</u>	<u>138,293</u>
Non-current Liabilities			
Deferred tax		5,744	5,744
Obligations under finance leases		940	582
		<u>6,684</u>	<u>6,326</u>
		<u>151,573</u>	<u>144,619</u>

Condensed Consolidated Statement of Recognised Gains and Losses

	Six months ended 30.6.2001 HK\$'000 (Unaudited)
Net profit for the period and total recognised gains for the period	<u>15,596</u>
Prior period adjustment arising from adoption of Statement of Standard Accounting Practice No. 9 (see note 2) – decrease in accumulated losses at 1st January, 2001	<u>9,000</u>

Condensed Consolidated Cash Flow Statement

	Six months ended 30.6.2001 HK\$'000 (Unaudited)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(30,621)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(8,329)</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(2,047)</u>
NET CASH OUTFLOW BEFORE FINANCING	<u>(40,997)</u>
NET CASH INFLOW FROM FINANCING	<u>38,806</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,191)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>51,354</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>49,163</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	51,018
Bank overdrafts	(1,855)
	<u>49,163</u>

Notes to the Condensed Financial Statements

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION

The Company was incorporated on 30th March, 2000 in Bermuda as an exempt company under the Companies Act of Bermuda. Pursuant to a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance (the "Scheme"), the Company became the holding company of Daido Concrete (H.K.) Limited ("DCHK") on 10th November, 2000. On the same date, the Company's shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK") in place of the shares of DCHK. The Company's ultimate holding company is Golik Holdings Limited, a company which is also incorporated in Bermuda and with its shares listed on SEHK.

The principal steps of the Scheme were as follows:

- (a) the Scheme was approved by a majority in number, representing 75% in value, of the shareholders of DCHK voting in person or by proxy at a meeting convened at the direction of the High Court of the Hong Kong Special Administrative Region of the People's Republic of China (the "Court") on 12th October, 2000;
- (b) the Scheme sanctioned by the Court on 7th November, 2000, a copy of the order of the Court as required by Section 166 of the Companies Ordinance was delivered to the Registrar of the Companies in Hong Kong for registration;
- (c) the Bermuda Monetary Authority granted permission for, among other things, the issue of shares pursuant to the Scheme and the issue of the shares pursuant to the exercise of share options to be granted under the share option scheme;
- (d) the shareholders of DCHK received shares of the Company in exchange for the shares of DCHK on a one for one basis;
- (e) the Listing Committee of SEHK granted the listing of, and permission to deal in, the shares of the Company on 10th November, 2000; and
- (f) the listing of the shares of DCHK on SEHK was withdrawn and simultaneously the shares of the Company was listed on SEHK by way of introduction.

The Company, DCHK and its subsidiaries (collectively the "Group") resulting from the above mentioned reorganisation is regarded as a continuity entity and accordingly the consolidated financial statements have been prepared and presented on the basis that the current group structure had been in existence for the year ended 31st December, 2000.

1. CORPORATE REORGANISATION AND BASIS OF PREPARATION (*Cont'd*)

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 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.

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 at 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 and to decrease proposed dividend at 31st December, 2000 by HK\$9,000,000. Comparative information has been restated to reflect this change in accounting policy.

Segment reporting

SSAP 26 "Segment reporting", which has been adopted for the first time in this interim financial report, 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.

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

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. 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.

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

	Construction work contracting and sale of concrete products HK\$'000	Trading of steel products HK\$'000	Manufacturing and trading of metal products HK\$'000	Manufacturing and trading of concrete piles and spiral pipes HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	31,167	55,943	26,015	-	-	113,125
Inter-segment sales	44	-	607	-	(651)	-
Total revenue	<u>31,211</u>	<u>55,943</u>	<u>26,622</u>	<u>-</u>	<u>(651)</u>	<u>113,125</u>
SEGMENT RESULT	<u>12,778</u>	<u>430</u>	<u>1,967</u>	<u>-</u>	<u>(187)</u>	<u>14,988</u>
Unallocated other revenue						14,093
Unallocated corporate expenses						<u>(6,384)</u>
Profit from operations						<u>22,697</u>

3. SEGMENT INFORMATION (Cont'd)

For the six months ended 30th June, 2000

	Construction work contracting and sale of concrete products HK\$'000	Trading of steel products HK\$'000	Manufacturing and trading of metal products HK\$'000	Manufacturing and trading of concrete piles and spiral pipes HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE						
External sales	112,842	32,891	-	2,391	-	148,124
Inter-segment sales	-	-	-	-	-	-
Total revenue	<u>112,842</u>	<u>32,891</u>	<u>-</u>	<u>2,391</u>	<u>-</u>	<u>148,124</u>
SEGMENT RESULT	<u>20,759</u>	<u>335</u>	<u>-</u>	<u>(1,782)</u>	<u>-</u>	19,312
Unallocated other revenue						9,400
Unallocated corporate expenses						<u>(12,338)</u>
Profit from operations						<u>16,374</u>

All of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover and profit from operations are derived from Hong Kong.

4. WRITE BACK OF PROVISION (PROVISION MADE) FOR RESTRUCTURING FEES

During the period from 1st May, 1999 to 31st December, 1999, the Group underwent a financial restructuring pursuant to several restructuring agreements between its bankers, convertible noteholders and other financial creditors. Upon the completion of the financial restructuring in the current period, the excess amount provided was written back accordingly.

5. WRITE BACK OF PROVISION FOR CLAIMS

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

6. PROFIT FROM OPERATIONS

During the period, depreciation of approximately HK\$4,781,000 (six months ended 30.6.2000: HK\$3,128,000) was charged to the income statement in respect of the Group's property, plant and equipment.

7. WRITTEN OFF OF EXPENSES FOR PROPOSED INVESTMENT

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

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

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

8. FINANCE COSTS

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Interest on bank and other loans wholly repayable within five years	535	250
Interest on promissory note	793	-
Interest on finance leases	117	6
	1,445	256

9. TAXATION

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current period	262	-

9. TAXATION (Cont'd)

The charge for the period to Hong Kong Profits Tax has been partly relieved by the tax losses brought forward from previous years.

No tax is payable on the profit arising from Hong Kong for the six months ended 30th June, 2000 since the assessable profit was wholly absorbed by the tax losses brought forward.

10. DIVIDEND

On 31st May, 2001, a dividend of HK\$0.003 per share (2000: HK\$Nil) was paid to shareholders as the final dividend for 2000.

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

11. EARNINGS PER SHARE

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

	Six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<u>15,596</u>	<u>17,052</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,000,000,000	3,000,000,000
Effect of dilutive share options	<u>52,053,588</u>	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,052,053,588</u>	<u>3,000,000,000</u>

No diluted earnings per share is presented for the period from 1st January, 2000 to 30th June, 2000 as no dilutive potential shares were in issue during that period.

12. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$17,689,000 on the acquisition of assets under installation in order to facilitate its manufacturing business of semi-precast concrete slab products.

13. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 15 to 45 days to its customers.

Included in trade and other receivables are trade receivables of HK\$52,792,000 (2000: HK\$38,989,000) with an aged analysis as follows:

	30.6.2001 <i>HK\$'000</i>	31.12.2000 <i>HK\$'000</i>
0 – 30 days	31,535	15,792
31 – 60 days	11,971	13,306
61 – 90 days	3,094	6,227
91 – 120 days	1,980	1,230
More than 120 days	4,212	2,434
	<u>52,792</u>	<u>38,989</u>

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$2,656,000 (2000: HK\$15,595,000) with an aged analysis as follows:

	30.6.2001 <i>HK\$'000</i>	31.12.2000 <i>HK\$'000</i>
0 – 30 days	1,690	431
31 – 60 days	266	14,991
61 – 90 days	547	165
91 – 120 days	–	–
More than 120 days	153	8
	<u>2,656</u>	<u>15,595</u>

15. BANK BORROWINGS

	30.6.2001 <i>HK\$'000</i>	31.12.2000 <i>HK\$'000</i>
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Bank borrowings are unsecured and are analysed as follows:

Trust receipt loans	42,105	4,558
Bank overdrafts	1,855	2,063
	<u>43,960</u>	<u>6,621</u>

16. SHARE CAPITAL

There was no movement in the share capital of the Company in the current interim reporting period.

Movements in the share capital of the Company pursuant to the Scheme (see note 1) and since the date of incorporation are as follows:

- (a) The Company was incorporated on 30th March, 2000 with an authorised share capital of HK\$100,000 divided into 10,000,000 shares of HK\$0.01 each, all of which had been issued and credited as nil paid on 14th June, 2000.
- (b) Prior to the effective date of the Scheme (note 1), the authorised share capital of the Company was increased to HK\$50,000,000 by the creation of an additional 4,990,000,000 new shares of HK\$0.01 each.
- (c) On 8th November, 2000, 2,990,000,000 new shares of HK\$0.01 each were issued, and the 10,000,000 existing shares issued on 14th June, 2000 were transferred and credited as fully paid to exchange for the shares of DCHK on a one for one basis. The excess of the nominal value between the shares of DCHK and the Company was credited to the capital reserve.

17. RESERVES

	Share premium HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2000	571,271	29	-	(1,202,544)	(631,244)
Goodwill arising on acquisition of a subsidiary	-	(18,670)	-	-	(18,670)
Transfer to capital reserve and cancellation of share premium of DCHK pursuant to the Scheme	(571,271)	-	571,271	-	-
Capital reserve arising pursuant to the Scheme	-	-	720,000	-	720,000
Profit for the year	-	-	-	38,207	38,207
Dividend	-	-	-	(9,000)	(9,000)
At 31st December, 2000					
- as previously stated	-	(18,641)	1,291,271	(1,173,337)	99,293
- prior period adjustment (see note 2)	-	-	-	9,000	9,000
- as restated	-	(18,641)	1,291,271	(1,164,337)	108,293
Profit for the period	-	-	-	15,596	15,596
Dividend	-	-	-	(9,000)	(9,000)
At 30th June, 2001	-	(18,641)	1,291,271	(1,157,741)	114,889

18. PLEDGE OF ASSETS

At 30th June, 2001, the Group has pledged its bank deposits of HK\$Nil (31.12.2000: HK\$15,931,000) as a security against the general banking facilities granted to a subsidiary. The facility utilised by the subsidiary as at 30th June, 2001 amounted to HK\$Nil (31.12.2000: HK\$Nil).

19. CONTINGENT LIABILITIES

One of the subsidiaries, Golik Metal Manufacturing Co. Limited ("GMM"), and a fellow subsidiary of the Group provided cross corporate guarantees to the extent HK\$20,000,000 (31.12.2000: HK\$45,000,000) to GMM and that fellow subsidiary. The total facilities utilised by that fellow subsidiary at 30th June, 2001 amounted to HK\$Nil (31.12.2000: HK\$28,272,000).

The cross corporate guarantees have been released on 15th August, 2001.

20. 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> -</u>	<u> 11,521</u>