



DAIDO

DAIDO GROUP LIMITED

DAIDO

INTERIM REPORT

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CORPORATE INFORMATION

Executive Directors

Mr. To Shu Fai (*Chairman*)
Mr. Fung Wa Ko (*Deputy Chairman*)
Mr. Tang Tsz Man, Philip

Independent Non-Executive Directors

Mr. Tse Yuen Ming, Valent
Mr. Kwok Shun On
Mr. Leung Chi Hung

Company Secretary

Mr. Choy Kai Sing

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business

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www.daidohk.com

Auditors

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

Principal Bankers

Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited
Standard Chartered Bank

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
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INTERIM RESULTS

The board of directors (the "Board") 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, 2004 together with the comparative unaudited figures for the corresponding period in 2003 as follows:

Condensed Consolidated Income Statement

For the six months ended 30th June, 2004

		Six months ended 30th June,	
	Notes	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	3	47,508	88,564
Direct costs		<u>(22,888)</u>	<u>(51,936)</u>
		24,620	36,628
Other operating income		549	952
Selling and distribution costs		(1,281)	(2,111)
Administrative expenses		(5,546)	(12,426)
Reversal of allowance for bad and doubtful debts		60	570
Reversal of impairment loss in respect of property, plant and equipment	4	55,946	-
Amortisation of goodwill		<u>(302)</u>	<u>(51)</u>
Profit from operations	5	74,046	23,562
Finance costs	6	<u>(3,988)</u>	<u>(6,100)</u>
Profit before taxation		70,058	17,462
Taxation	7	<u>3,720</u>	<u>(4,774)</u>
Net profit for the period		<u>73,778</u>	<u>12,688</u>
Dividend	8	<u>-</u>	<u>(9,000)</u>
Earnings per share - basic	9	<u>2.459 cents</u>	<u>0.423 cents</u>

Condensed Consolidated Balance Sheet

At 30th June, 2004

	Notes	30th June, 2004 HK\$'000 (unaudited)	31st December, 2003 HK\$'000 (audited)
Non-current Assets			
Investment properties	10	539,000	509,000
Property, plant and equipment	11	94,437	40,513
Goodwill		4,811	5,089
Interest in an associate	12	1,976	–
Long-term receivables		14,381	17,052
Rental deposits and other assets		–	225
Deferred tax assets		4,384	1,472
		<u>658,989</u>	<u>573,351</u>
Current Assets			
Inventories		6,072	5,150
Trade and other receivables	13	28,753	35,095
Loans receivable		7,875	7,875
Amounts due from customers for contract work		2	2
Bank balances and cash		11,393	7,821
		<u>54,095</u>	<u>55,943</u>
Current Liabilities			
Amounts due to customers for contract work		13,913	14,867
Trade and other payables	14	29,374	30,683
Amount due to ultimate holding company		–	900
Borrowings	15	147,266	147,266
Taxation		1,360	–
Unclaimed dividends		20	100
		<u>191,933</u>	<u>193,816</u>
Net Current Liabilities		<u>(137,838)</u>	<u>(137,873)</u>
		<u>521,151</u>	<u>435,478</u>

Condensed Consolidated Balance Sheet (Cont'd)

At 30th June, 2004

		30th June, 31st December, 2004	2003
	Notes	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Capital and Reserves			
Share capital		30,000	30,000
Reserves		<u>275,515</u>	<u>171,737</u>
		<u>305,515</u>	<u>201,737</u>
Non-current Liabilities			
Borrowings	15	206,719	222,656
Guarantee money received		3,000	3,000
Deferred tax liabilities		<u>5,917</u>	<u>8,085</u>
		<u>215,636</u>	<u>233,741</u>
		<u>521,151</u>	<u>435,478</u>

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30th June, 2004

	Share capital HK\$'000	Goodwill reserve HK\$'000	Negative goodwill HK\$'000	Investment properties revaluation reserve HK\$'000	Capital reserves HK\$'000 (Note 1)	Accumulated profit (losses) HK\$'000	Total HK\$'000
At 1st January, 2003	30,000	(11,069)	29	-	1,291,271	(1,134,379)	175,852
Net profit for the period	-	-	-	-	-	12,688	12,688
Dividend paid	-	-	-	-	-	(9,000)	(9,000)
At 30th June, 2003	<u>30,000</u>	<u>(11,069)</u>	<u>29</u>	<u>-</u>	<u>1,291,271</u>	<u>(1,130,691)</u>	<u>179,540</u>
Surplus on revaluation not recognised in the condensed consolidated income statement	-	-	-	3,014	-	-	3,014
Released upon disposal of subsidiaries	-	11,069	(29)	-	-	-	11,040
Transfer to set off accumulated losses (Note 2)	-	-	-	-	(1,291,271)	1,291,271	-
Net profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,143</u>	<u>8,143</u>
At 31st December, 2003	30,000	-	-	3,014	-	168,723	201,737
Surplus on revaluation not recognised in the condensed consolidated income statement	-	-	-	30,000	-	-	30,000
Net profit for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,778</u>	<u>73,778</u>
At 30th June, 2004	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>33,014</u>	<u>-</u>	<u>242,501</u>	<u>305,515</u>

Notes:

- (1) Capital reserves comprise share premium of HK\$571,271,000 of Daido Concrete (H.K.) Limited, a former wholly-owned subsidiary of the Company, and reserve of HK\$720,000,000 arose pursuant to the corporate reorganisation during the year ended 31st December, 2000. Details of the transactions had been included in the 2000 annual report of the Company.
- (2) On 20th November, 2003, the Board of Directors resolved to transfer capital reserve of HK\$1,291,271,000 to set off against the Group's accumulated losses.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2004

	Six months ended 30th June,	
	2004 <i>HK\$'000</i> (unaudited)	2003 <i>HK\$'000</i> (unaudited)
NET CASH FROM OPERATING ACTIVITIES	19,027	6,472
NET CASH FROM (USED IN) INVESTING ACTIVITIES	583	(74,110)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(16,038)	53,122
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,572	(14,516)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	7,821	36,036
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11,393	21,520
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	11,393	24,737
Bank overdrafts	-	(3,217)
	11,393	21,520

Notes to the Condensed Financial Statements

1. BASIS OF PREPARATION

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

In preparing the interim financial report, the directors have given careful consideration to the current and future liquidity of the Group in the light of its net current liabilities of approximately HK\$137,838,000 as at 30th June, 2004, and taking into account the Group's obligations to repay bank and other borrowings as disclosed in note 15. Negotiations have been entered into with the other lenders regarding the possibility of extending the repayment terms of loans in the sum of HK\$115,391,000. The directors are confident as to the satisfactory conclusion of the re-financing negotiations in the near future and, on this basis, are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the interim financial report have been prepared on a going concern basis.

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 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2003.

In addition, the Group adopted the following accounting policy during the period:

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the period based on their financial statements made up to 31st December. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition in so far as it has not already been amortised, less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

3. SEGMENT INFORMATION

The Group's turnover for the period was derived mainly from activities carried out in Hong Kong. An analysis of the Group's turnover and segment results by business segment which is the Group's primary reporting segment is as follows:

For the six months ended 30th June, 2004

	Continuing operations		
	Construction work contracting and sales of concrete products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>27,408</u>	<u>20,100</u>	<u>47,508</u>
SEGMENT RESULT	<u>(416)</u>	<u>19,668</u>	19,252
Unallocated corporate income			435
Unallocated corporate expenses			<u>(1,587)</u>
			18,100
Reversal of impairment loss in respect of property, plant and equipment	55,946	-	<u>55,946</u>
Profit from operations			<u>74,046</u>

3. SEGMENT INFORMATION (Cont'd)
For the six months ended 30th June, 2003

	Continuing operations		Discontinuing operations (Note)		Eliminations HK\$'000	Consolidated HK\$'000
	Construction work contracting and sales of concrete products HK\$'000	Property investment HK\$'000	Sales of steel products HK\$'000	Manufacturing and sales of metal products HK\$'000		
TURNOVER						
External sales	40,577	13,400	145	34,442	-	88,564
Inter-segment sales	-	-	-	2,687	(2,687)	-
Total	40,577	13,400	145	37,129	(2,687)	88,564
SEGMENT RESULT	19,615	1,382	(37)	3,475	-	24,435
Unallocated corporate income						-
Unallocated corporate expenses						(873)
Profit from operations						23,562

Inter-segment sales were charged at prices determined by management with reference to market prices.

Note: On 15th May, 2003, the Group entered into an agreement with Worldlight Group Limited, a wholly-owned subsidiary of Golik Holdings Limited, the former ultimate holding company of the Company, to dispose of the entire interest in certain subsidiaries, which carried out the businesses of sales of steel products, and manufacture and sales of metal products, for a cash consideration of HK\$100,500,000. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses. Details of the transaction had been included in the announcement and circular of the Company dated 23rd May, 2003 and 13th June, 2003 respectively. The transaction was completed on 9th July, 2003.

4. REVERSAL OF IMPAIRMENT LOSS IN RESPECT OF PROPERTY, PLANT AND EQUIPMENT

During the period, the directors of the Company have reviewed the carrying values of the leasehold land and buildings by reference to a professional valuation made by Messrs. Vigers Hong Kong Limited, an independent firm of professional property valuers, on 30th April, 2004 on open market value basis. Impairment loss recognised before of HK\$55,946,000 has been reversed accordingly. The directors consider that the value of the leasehold land and buildings as at 30th June, 2004 is not materially different from the professional valuation made as at 30th April, 2004.

5. PROFIT FROM OPERATIONS

	Six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
Profit from operations have been arrived at after charging (crediting):		
Depreciation		
Own assets	2,400	4,528
Assets held under finance leases	-	546
Loss on disposal of property, plant and equipment	-	5
Interest income	<u>(548)</u>	<u>(488)</u>

6. FINANCE COSTS

	Six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
Interest on bank and other loans wholly repayable within five years	3,988	3,432
Interest on bank and other loans wholly repayable after five years	-	2,466
Interest on finance leases	<u>-</u>	<u>202</u>
	<u>3,988</u>	<u>6,100</u>

7. TAXATION

	Six months ended 30th June,	
	2004 HK\$'000	2003 HK\$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current period	1,360	66
Underprovision in respect of prior period	<u>-</u>	<u>3</u>
	1,360	69
Deferred taxation		
Current period	<u>(5,080)</u>	<u>4,705</u>
	<u>(3,720)</u>	<u>4,774</u>

7. TAXATION (*Cont'd*)

Hong Kong Profits Tax is calculated at 17.5% of estimated assessable profit for both periods.

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

8. DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2004.

On 16th June, 2003, a dividend of HK\$0.003 per share was paid to shareholders as the final dividend for the year ended 31st December, 2002.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the period of HK\$73,778,000 (six months ended 30.6.2003: HK\$12,688,000) and on 3,000,000,000 (2003: 3,000,000,000) ordinary shares in issue during the period.

Diluted earnings per share is not shown as there were no potential ordinary shares in existence for the six months ended 30th June, 2004.

The computation of diluted earnings per share for the six months ended 30th June, 2003 did not assume the exercise of the Company's outstanding share options up to the date of expiry on 16th May, 2003 as the exercise price of the options was higher than the average market prices of shares during the period from 1st January, 2003 to 16th May, 2003.

10. INVESTMENT PROPERTIES

The Group's investment properties were revalued by Messrs. Vigers Hong Kong Limited, an independent firm of professional property valuers, on 30th April, 2004 on open market value basis. The resulting revaluation surplus of HK\$30,000,000 has been credited to the investment properties revaluation reserve. The directors consider that the value of the investment properties as at 30th June, 2004 is not materially different from the professional valuation made as at 30th April, 2004 and, accordingly, no further revaluation surplus or deficit has been recognised for the two months ended 30th June, 2004.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$378,000 on the acquisition of assets in order to facilitate its manufacturing capabilities.

Details of reversal of impairment loss in respect of property, plant and equipment during the period are set out in note 4.

12. INTEREST IN AN ASSOCIATE

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Unlisted		
Share of net assets	<u>577</u>	<u>-</u>
Goodwill on acquisition of an associate	1,423	-
Amortisation	<u>(24)</u>	<u>-</u>
	<u>1,399</u>	<u>-</u>
	<u>1,976</u>	<u>-</u>

Goodwill is amortised using the straight-line method over its estimated useful life of 5 years.

13. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of HK\$24,637,000 (31.12.2003: HK\$30,672,000) with an aged analysis as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 – 30 days	7,754	14,786
31 – 60 days	5,369	7,565
61 – 90 days	4,759	4,666
91 – 120 days	1,842	1,780
More than 120 days	<u>4,913</u>	<u>1,875</u>
	<u>24,637</u>	<u>30,672</u>

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$2,788,000 (31.12.2003: HK\$5,879,000) with an aged analysis as follows:

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
0 – 30 days	1,092	2,577
31 – 60 days	949	2,609
61 – 90 days	204	549
91 – 120 days	543	80
More than 120 days	–	64
	<u>2,788</u>	<u>5,879</u>

15. BORROWINGS

	30th June, 2004 HK\$'000	31st December, 2003 HK\$'000
Bank loans	238,594	254,531
Other loans	115,391	115,391
	353,985	369,922
Less: amount due for settlement within one year shown under current liabilities	147,266	147,266
Amounts due for settlement after one year	<u>206,719</u>	<u>222,656</u>

16. PLEDGE OF ASSETS

The bank loans are secured by the Group's investment properties of HK\$539,000,000 (31.12.2003: HK\$509,000,000); an assignment of rental over the investment properties and the shares of certain of subsidiaries, bear interest at prevailing market rate and repayable by instalments. The last instalment of two bank loans of HK\$15,844,000 and HK\$222,750,000 (31.12.2003: HK\$18,281,000 and HK\$236,250,000) are repayable in September 2007 and June 2009 respectively.

The other loans are secured by the shares of certain of subsidiaries, bear interest at Hong Kong Prime Lending Rate minus 2% per annum and repayable within one year. The loans are advanced from independent third parties.

17. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liabilities:

- (i) Certain subsidiaries have been named as defendant in High Court actions in respect of injury claims from the workers with accidents occurred in 1999 and 2000 and the injury claims amounted to HK\$11,000,000 (31.12.2003: HK\$11,000,000). The directors are of the opinion that the claims are to be indemnified by main contractors of the relevant projects or covered by insurance policy of the Group, accordingly no provision has been made in the financial statements.
- (ii) At 27th September, 2002, a Dangerous Hillside Order was issued by the Buildings Department requiring necessary improvement works to be carried out on the hillside adjacent to the investment properties held by the Group. Final tender for the relevant improvement works is still not ascertained at the date of the report and accordingly, no provision has been made in the financial statements. In the opinion of the directors, the amount involved is insignificant.

18. RELATED PARTY TRANSACTIONS

During the period, the Group paid office rent of HK\$342,000 (six months ended 30.6.2003: nil) to a related company, which were charged at terms agreed by the parties concerned. The related company is beneficially held by Mr. To Shu Fai, a director of the Company.

BUSINESS REVIEW

For the six months ended 30 June 2004, the Group recorded a turnover of HK\$47,508,000, as compared to HK\$88,564,000 gained in the same period last year. Despite a decreased turnover, the net profit attributable to shareholders increased 481% to HK\$73,778,000 from last year's net profit of HK\$12,688,000. The increase was partly due to a one-off reversal of impairment loss of HK\$55,946,000 in respect of the Group's property, plant and equipment. Excluding this write back item, the net profit as at 30 June 2004 has recorded an increase of 41%. Earnings per share during the period increased to 2.459 cents from 0.423 cents last year.

During the period under review, the Group has a reduced sale of its **Autoclaved Aerated Lightweight Concrete (ALC)** products due partly to a reduction in the private sector construction. The Group has, however, contained the situation by successfully cutting the operating cost, and shifted its resources from the less profitable steel and metals business to its new profit generator: investment in cold storage.

In the first six months, the Group rented out in full its cold storage capacity, making it the major investment return for the Group, contributing HK\$20,100,000 in turnover, representing approximately 42% of the Group's gross turnover in the first half of 2004.

Autoclaved Aerated Lightweight Concrete ("ALC") Products

During the period under review, the sales of the Group's flagship ALC products decreased to HK\$27,408,000, as compared to HK\$40,577,000 last year. This was principally due to a shrink in the private construction market, which said to have reduced 12.7%, 15.7% and 17% in Q3, Q4 2003 and Q1 2004 respectively.

Cold Storage

The Group's diversification into cold storage was proved a hugely successful move. During the first half of 2004, the two cold storage warehouses in Kwai Chung acquired by the Group in March 2003 were completely rented out, fetching a total of HK\$20,100,000, registering a 50% increase in revenue as compared with the HK\$13,400,000 gained during the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2004, the Group had cash and bank balances of HK\$11,393,000 (31 December 2003: HK\$7,821,000). The Group has a total borrowing amounted to HK\$353,985,000 (31 December 2003: HK\$369,922,000), of which bank borrowings and third party loans amounted to HK\$238,594,000 (31 December 2003: HK\$254,531,000) and HK\$115,391,000 (31 December 2003: HK\$115,391,000) respectively. The gearing ratio, calculate as long-term debt over shareholders equity, was 68% as at 30 June 2004 (31 December 2003: 110%).

The Group's capital expenditure and investments were financed by internal cash generation and bank loans.

CAPITAL STRUCTURE

During the period, there was no change to the share capital of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2004, the total number of staff of the Group in Hong Kong was approximately 98.

FUTURE PROSPECTS

Looking forward, both ALC & Cold storage will continue to be the core profit centres for the Group.

Despite having a sluggish start in the first six months, the Group expects that the ALC business will stabilize in the second half of 2004 as it has already secured a number of orders for the period.

FUTURE PROSPECTS *(Cont'd)*

The improvement of Hong Kong property market in the second half of 2004 will eventually benefit the demand on the Group's ALC products.

In order to gauge the demand envisaged from a more robust property market, the Group will diversify into new product lines including fireproof panels and fireproof glass. This is a progressive move to offer customers more choices and give the Group a better chance to secure more new projects.

The Group's successful investment into cold storage has quickly made this the Group's major profit generator. The market continues to have high demand for cold storage. As both of our cold storage warehouses are 100% rented out, we can see room for an increase in rental in the second half of 2004. We shall also contemplate restructuring our storage ratio, and try to optimize revenue by expanding the more-profitable freezer and bond storage, whilst shrinking the general storage.

As part of a logistics chain, the cold storage has shown great potential. We shall seek cooperation opportunities with our business partners, who are mostly cross-border business operators, and explore diversification into more cold storages or other logistics areas, in order to leverage Hong Kong's position as a logistic centre in the Pearl River Delta Region.

DIRECTORS' INTERESTS IN SHARES

At 30th June, 2004, the interests of the directors in the shares of the Company, as recorded in the registers maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transaction by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. To Shu Fai (Note)	Held by controlled corporations	2,023,231,329	67.44%

Note: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by four un-related individuals in equal share.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2004, so far as known to any director of the Company, the following persons, other than the directors of the Company whose interests are disclosed above, had interests 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 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:

Name	Number of shares
Top Synergy Associates Limited	2,023,231,329

Note: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by four un-related individuals in equal share.

Save as disclosed above, the Company has not been notified of any other persons holding any interests or short positions in shares, underlying shares or debentures of the Company which were required to be disclosed pursuant to the SFO as at 30th June, 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the six months ended 30th June, 2004 with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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.

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, 2004.

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, 2004.

APPRECIATION

We hereby express our deepest gratitude to our fellow directors, shareholders, customers, business partners and banks for their support, and sincerely thank all the staff for their diligence and devotion for the better results of the Group at present and in the coming future.

By Order of the Board

To Shu Fai

Chairman

Hong Kong, 17th September, 2004