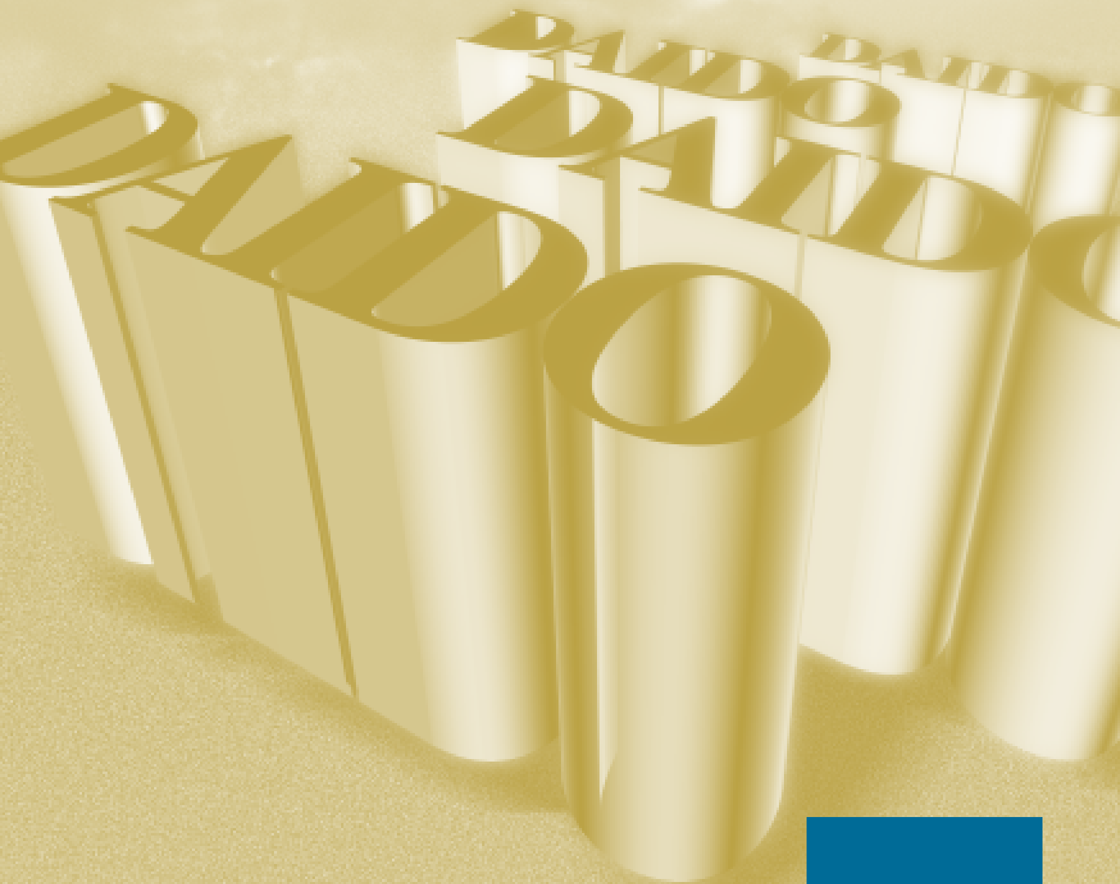
DAIDO

INTERIM REPORT 2005



DAIDO GROUP LIMITED

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira (appointed on 12th July, 2005)
Mr. Tse Yuen Ming, Valent
Mr. Kwok Shun On (resigned on 12th July, 2005)

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming, Valent

Remuneration Committee

Mr. Leung, Tsz Fung David Ferreira *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming, Valent

Nomination Committee

Mr. Tse Yuen Ming, Valent *(Chairman)*
Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira

COMPANY SECRETARY

Mr. Choy Kai Sing

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

24th Floor, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
www.daidohk.com

AUDITORS

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

PRINCIPAL BANKERS

DBS Bank
Nanyang Commercial Bank
Standard Chartered Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
311-312 Two Exchange Square
Central
Hong Kong

STOCK CODE

0544

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30th June, 2005, Daido Group Limited achieved a turnover of HK$58,492,000, 23% higher than the corresponding period of the previous year. The net profit attributable to shareholders was HK$3,685,000, representing a decrease of 95% from the last corresponding period's net profit of HK$73,778,000. However, excluding the one-off write back of HK$55,946,000 impairment loss in respect of the Group's prepaid lease payments, and property, plant and equipment last period, the actual decrease in net profit was 79% as compared to the corresponding period in previous year. The decrease in net profit was due to the creation of rental payment as a result of the disposal of the cold storage properties in Kwai Chung, Hong Kong and the lease arrangement in February 2005. However, the disposal of the investment properties enabled the Group to settle all outstanding loans and improves the liquidity of the Group.

Autoclaved Aerated Lightweight Concrete ("ALC") Products

During the period under review, the sales of the Group's flagship product, ALC, increased to HK$38,392,000, as compared to HK$27,408,000 last year.

Cold Storage

The cold storage was disposed in February 2005 for a consideration of HK$650,000,000. The transaction enabled the Group to settle all outstanding debt, and enter into a potentially profitable lease arrangement. After the disposal, the Group has leased back the properties for a period of 14 years from the purchasers. The Group needed to contribute HK$15,000,000 by way of the Repair and Maintenance Fund to implement any repair, maintenance and improvement on the cold storages; and contribute HK$10,000,000 through the Business Enhancement Fund for promoting and marketing of the cold storage business operated at the properties. In return, the Group could sub-lease them to the original tenants, with a rent review at each subsequent 3 years period. This will enable the option of increased rents if the market allows, meaning an opportunity for profits after 3 years.

Liquidity and Financial Resources

As at 30th June, 2005, the Group had cash and bank balances of HK$227,830,000 (31st December, 2004: HK$12,863,000). The Group did not have any outstanding bank borrowings and third party loans as at 30th June, 2005. The bank borrowings and third party loans at 31st December, 2004 had been fully settled.

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

Capital Structure

During the period, there was no change in the share capital of the Company.

Employment and Remuneration Policy

As at 30th June, 2005, the total number of staff of the Group in Hong Kong was approximately 80. Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain competent employees.

Future Prospects

The property market has rebounded and both the private and public sectors are seeing a strong spate of growth. We are confidently expecting the performance of our ALC products to turn around as the building surge takes effect next year. In the public sector, the HKSAR government has already made clear its intention to construct 88,000 units of public housing in the five years from 2004-05. Meanwhile, the public rental housing sites where piling works are in progress will yield about 7,000 flats in 2006-08. In the private sector, we foresee construction projects like hotels and A-class office buildings to increase with a prospering property market. Although competitors are still pricing their goods at 'survival' prices which create tremendous competition, we expect pressure on prices to ease as demand rises. We'll be actively securing new orders for 2006, and shall look into the possibility of tapping the Macau construction market at the same time.

Future Prospects *(Cont'd)*

Meanwhile we have reviewed our success in the cold storage investment and decided to continue seeking diversification opportunities especially in the field of logistics. With enough cash flow, the Group is in a good position to pursue investments in this field in Hong Kong and the Mainland through acquisition or joint venture. Our current plan is to provide one-stop logistic services between Hong Kong and the Mainland.

Our introduction of fireproof panels and glass were tested in the local market but unfortunately the sales were not satisfactory due to severe competition. We will continue to import new products from overseas to diversify our product categories and we are going to continue the development and manufacture of new and innovative products in the existing plant.

The disposal of the cold storage properties has strengthened our financial position. We are well equipped to actively pursue these plans. We hope to report more details in future reports.

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 commitment and effort during the period.

By Order of the Board
Fung Wa Ko
Executive Director and Chief Executive Officer

Hong Kong, 16th September, 2005

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, 2005 together with the comparative unaudited figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30.6.2005 HK$'000 (unaudited)	30.6.2004 HK$'000 (restated) (unaudited)
Continuing operation			
Revenue		**53,347**	27,408
Direct costs		**(51,439)**	(22,507)
Gross profit		**1,908**	4,901
Other operating income		**2,078**	114
Selling and distribution costs		**(1,805)**	(1,281)
Administrative expenses		**(6,017)**	(5,475)
Reversal of allowance for bad and doubtful debts		**394**	60
Reversal of impairment loss in respect of prepaid lease payments, and property, plant and equipment	*4*	**–**	55,946
Amortisation of goodwill		**–**	(302)
Share of results of an associate		**(116)**	–
Impairment loss in respect of interest in an associate	*10*	**(1,430)**	–
(Loss) profit before tax		**(4,988)**	53,963
Taxation	*5*	**(51)**	(183)
(Loss) profit for the period from continuing operation		**(5,039)**	53,780
Discontinued operation			
Profit for the period from discontinued operation	*14*	**8,724**	19,998
Profit for the period		**3,685**	73,778
Dividend	*7*	**–**	–
Earnings (loss) per share – basic	*8*		
– from continuing and discontinued operations		**0.123 cents**	2.459 cents
– from continuing operation		**(0.168) cents**	1.793 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30.6.2005 HK$'000 (unaudited)	As at 31.12.2004 HK$'000 (restated) (audited)
NON-CURRENT ASSETS			
Investment properties	9	–	609,000
Property, plant and equipment		62,739	65,798
Goodwill		–	4,534
Interest in an associate	10	–	1,546
Long-term receivables		4,519	13,724
Rental deposit paid		71,094	–
Prepaid lease payments		24,690	24,992
Deferred tax assets		891	942
		163,933	720,536
CURRENT ASSETS			
Inventories		6,106	5,929
Trade and other receivables	11	27,929	23,001
Prepaid lease payments		605	605
Loans receivable		3,000	7,875
Tax recoverable		–	122
Bank balances and cash		227,830	12,863
		265,470	50,395
CURRENT LIABILITIES			
Amounts due to customers for contract work		10,811	13,545
Trade and other payables	12	15,160	24,664
Rental deposits from tenant		10,050	–
Borrowings	13	–	150,865
Unclaimed dividends		19	20
		36,040	189,094
NET CURRENT ASSETS (LIABILITIES)		229,430	(138,699)
		393,363	581,837

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**As at 30.6.2005 *HK$'000* (unaudited)**	As at 31.12.2004 *HK$'000* (restated) (audited)
CAPITAL AND RESERVES			
Share capital		**30,000**	30,000
Reserves		**361,841**	358,156
		391,841	388,156
NON-CURRENT LIABILITIES			
Borrowings	*13*	**–**	187,181
Guarantee money received		**1,522**	3,000
Deferred tax liabilities		**–**	3,500
		1,522	193,681
		393,363	581,837

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Investment properties revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1st January, 2004	30,000	3,014	168,723	201,737
Surplus on revaluation of investment properties	–	30,000	–	30,000
Profit for the period	–	–	73,778	73,778
As at 30th June, 2004	30,000	33,014	242,501	305,515
Surplus on revaluation of investment properties	–	70,000	–	70,000
Profit for the period	–	–	12,641	12,641
As at 31st December, 2004	30,000	103,014	255,142	388,156
As at 1st January, 2005	30,000	103,014	255,142	388,156
Effect of changes in accounting policies	–	(103,014)	103,014	–
As restated	30,000	–	358,156	388,156
Profit for the period	–	–	3,685	3,685
As at 30th June, 2005	30,000	–	361,841	391,841

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Notes	Six months ended 30.6.2005 HK$'000 (unaudited)	Six months ended 30.6.2004 HK$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		**21,718**	19,027
NET CASH FROM INVESTING ACTIVITIES:			
Disposal of interests in subsidiaries, net of cash and cash equivalents disposed of	*14*	**525,217**	–
Repayment from loan receivable		**8,531**	2,438
Other investing activities		**1,719**	145
Acquisition of an associate		**–**	(2,000)
		535,467	583
NET CASH USED IN FINANCING ACTIVITIES:			
Repayment of borrowings		**(338,046)**	(15,937)
Other financing activities		**(4,172)**	(101)
		(342,218)	(16,038)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**214,967**	3,572
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**12,863**	7,821
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD – represented by bank balances and cash		**227,830**	11,393

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 Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at fair value or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The adoption of the new HKFRSs has resulted in the changes for the Group's accounting policies in the following areas:

<u>Business combinations</u>

In the current period, the Group has applied HKFRS 3, *Business combinations*. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising from acquisitions after 1st January, 2001 was capitalised and amortised over its estimated useful life. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1st January, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising from acquisitions after 1st January, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

Non-current assets held for sale and discontinued operations

HKFRS 5 *Non-current assets held for sale and discontinued operations* requires non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets (or disposal group) are available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

In addition, HKFRS 5 classifies an operation as discontinued at the date the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation.

The transitional provisions of HKFRS 5 are applied prospectively. Accordingly, the investment properties disposed of through the disposal of subsidiaries (note 14) during the period not classified as held for sale on 31st December, 2004.

Financial instruments

In the current period, the Group has applied HKAS 32 *Financial instruments*: Disclosure and presentation and HKAS 39 *Financial instruments: Recognition and measurement*. HKAS 32 requires retrospective application. The application of HKAS 32 has had no material effect on the presentation of financial instrument in the Group's financial statements. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

Financial instruments *(Cont'd)*

Financial assets and financial liabilities other than debt and equity securities

From 1st January, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. The application of HKAS 39 has had no material effect on the presentation of financial instrument in the Group's financial statements.

Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively. As a result of the adjustments, property, plant and equipment, prepaid lease payments at 31st December, 2004 and depreciation for the six months ended 30th June, 2004 were decreased by HK$25,597,000, increased by HK$25,597,000 and decreased by HK$137,000 respectively.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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

Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 Investment property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor Standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January, 2005 onwards. The amount held in investment property revaluation reserve at 1st January, 2005 of HK$103,014,000 has been transferred to the Group's retained earnings. Comparative figures have been restated.

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

The effect of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Loss arising from changes in fair value of financial assets/liabilities, measured at fair value through profit or loss	**(14)**	–
Decrease in amortisation of goodwill	**93**	–
Increase in profit for the period	**79**	–

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2A. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES *(Cont'd)*

The cumulative effects of the application of the new HKFRS as at 31st December, 2004 and 1st January, 2005 are summarized below:

	As at 31st December, 2004 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 31st December, 2004 (restated) *HK$'000*	Adjustments *HK$'000*	As at 1st January, 2005 (restated) ***HK$'000***
Balance sheet items					
Property, plant and equipment	91,395	(25,597)	65,798	–	65,798
Prepaid lease payments	–	25,597	25,597	–	25,597
	91,395	–	91,395	–	91,395
Investment properties revaluation reserve	103,014	–	103,014	(103,014)	–
Retained profits	255,142	–	255,142	103,014	358,156
	358,156	–	358,156	–	358,156

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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 is as follows:

For the six months ended 30th June, 2005

	Continuing operation			Discontinued operation	
	Construction work contracting and sales of concrete products	Sub-leasing	Total	Property investment	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	38,392	14,955	53,347	5,145	58,492
SEGMENT RESULT	2,881	(6,443)	(3,562)	5,093	1,531
Unallocated corporate income					1,217
Unallocated corporate expenses					(1,097)
Finance costs	–	–	–	(994)	(994)
Share of results of an associate					(116)
Impairment loss in respect of interest in an associate					(1,430)
Gain on disposal of property investment operation	–	–	–	5,289	5,289
Profit before tax					4,400
Taxation	(51)	–	(51)	(664)	(715)
Profit for the period					3,685

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION *(Cont'd)*

For the six months ended 30th June, 2004

	Continuing operation			Discontinued operation	
	Construction work contracting and sales of concrete products *HK$'000*	Sub-leasing *HK$'000*	Total *HK$'000*	Property investment *HK$'000*	Consolidated *HK$'000* (restated)
REVENUE	27,408	–	27,408	20,100	47,508
SEGMENT RESULT	(416)	–	(416)	20,083	19,667
Unallocated corporate income					–
Unallocated corporate expenses					(1,567)
Reversal of impairment loss in respect of prepaid lease payments, and property, plant and equipment	55,946	–	55,946	–	55,946
Finance costs	–	–	–	(3,988)	(3,988)
Profit before tax					70,058
Taxation	(183)	–	(183)	3,903	3,720
Profit for the period					73,778

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

During the last period, the directors of the Company had reviewed the carrying values of the prepaid lease payments/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 had been reversed accordingly. The directors considered that the value of the prepaid lease payments/leasehold land and buildings as at 30th June, 2004 was not materially different from the professional valuation made as at 30th April, 2004.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

5. TAXATION

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Continuing operation:		
Hong Kong Profits Tax	**–**	–
Deferred taxation	**51**	183
Income tax relating to continuing operation	**51**	183
Discontinued operation:		
Hong Kong Profits Tax	**342**	1,360
Deferred taxation	**322**	(5,263)
Income tax relating to discontinued operation	**664**	(3,903)
	715	(3,720)

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

6. CONSOLIDATED REVENUE/EXPENSE FOR THE PERIOD

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
		(restated)
Consolidated profit for the period have been arrived at after crediting (charging) the following items:		
Revenue (including continuing and discontinued operations)	**58,492**	47,508
Cost of sales (including continuing and discontinued operations)	**(51,531)**	(22,888)
Depreciation	**(3,100)**	(2,263)
Gain on disposal of property, plant and equipment	**1**	–
Interest income	**1,866**	548

7. DIVIDEND

No dividend was paid during the period.

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2005 and 30th June, 2004.

8. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic earnings per share	**3,685**	73,778
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,000,000,000**	3,000,000,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

8. EARNINGS (LOSS) PER SHARE *(Cont'd)*

From continuing operation

The calculation of the basic (loss) earnings per share from continuing operation attributable to the ordinary equity holders of the parent is based on the following data:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
(Loss) earnings		
Earnings for the purposes of attributable to equity holders of the parent	**3,685**	73,778
Less: Profit for the period from discontinued operation	**(8,724)**	(19,998)
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operation	**(5,039)**	53,780

Basic earnings per share for discontinued operations is 0.291 HK cents (six months ended 30th June, 2004: 0.666 HK cents) per share, based on the profit for the period from discontinued operation of HK$8,724,000 (six months ended 30th June, 2004: HK$19,998,000). The denominators used are the same as those detailed above for basic earnings per share.

9. INVESTMENT PROPERTIES

All investment properties of the Group had been disposed of through the disposal of subsidiaries (note 14) during the current period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

10. INTEREST IN AN ASSOCIATE

	30.6.2005 HK$'000	31.12.2004 HK$'000
Share of net assets	**173**	289
Less: Impairment	**(173)**	–
	–	289
Goodwill on acquisition of an associate	**1,257**	1,423
Less: Amortisation	**–**	(166)
Impairment	**(1,257)**	–
	–	1,257
	–	1,546

During the period, based on the Group's assessment of the carrying amount of the investment in the associate by considering the continuous operating loss since recent years, impairment loss of HK$1,430,000 was recognised.

11. 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 with an aged analysis as follows:

	30.6.2005 HK$'000	31.12.2004 HK$'000
0 – 30 days	**5,084**	13,642
31 – 60 days	**2,512**	3,315
61 – 90 days	**1,891**	647
91 – 120 days	**798**	174
More than 120 days	**1,268**	1,286
	11,553	19,064

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with an aged analysis as follows:

	30.6.2005 *HK$'000*	31.12.2004 *HK$'000*
0 – 30 days	**1,322**	3,111
31 – 60 days	**1,182**	2,588
61 – 90 days	**123**	850
91 – 120 days	**204**	–
More than 120 days	**500**	528
	3,331	7,077

13. BORROWINGS

	30.6.2005 *HK$'000*	31.12.2004 *HK$'000*
Bank loans	**–**	222,655
Other loans	**–**	115,391
	–	338,046
Less: amount due for settlement within one year shown under current liabilities	**–**	(150,865)
Amounts due for settlement after one year	**–**	187,181

14. DISPOSAL OF INTERESTS IN SUBSIDIARIES

Discontinued operation

On 30th December, 2004, the Company announced that a conditional Sale and Purchase Agreement was entered into among one of its indirectly wholly-owned subsidiary, the purchaser and the Company on 13th December, 2004 in respect of the disposal of entire issued capital in Best Goal International Limited and Double Worth Profits Limited (the "Disposed Group"), both are indirectly wholly-owned subsidiaries of the Company, which carried on property investment businesses, for a cash consideration of HK$650,000,000 (the "Disposal"). Details of the Disposal are set out in the Circular of the Company dated 20th January, 2005.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

14. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(Cont'd)*

Discontinued operation (Cont'd)

At the special general meeting held on 7th February, 2005, an ordinary resolution proposed to approve the Disposal and the new lease arrangement was duly passed by the shareholders. On 15th February, 2005, the Board of Directors announced that all conditions under the sale and purchase agreement were satisfied and the completion of the Disposal took place, and the new lease arrangement was executed on the same date.

The profit for the period from the discontinued operation is analysed as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Profit of property investment operation for the period	**3,435**	19,998
Gain on disposal of property investment operation	**5,289**	–
	8,724	19,998

The results of the property investment operation for the interim reporting period were as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK$'000	*HK$'000*
Revenue	**5,145**	20,100
Direct costs	**(92)**	(381)
Gross profit	**5,053**	19,719
Other operating income	**84**	435
Administrative expenses	**(44)**	(71)
Finance costs	**(994)**	(3,988)
Profit before taxation	**4,099**	16,095
Taxation	**(664)**	3,903
Profit for the period	**3,435**	19,998

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

14. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(Cont'd)*

Discontinued operation (Cont'd)

The net assets of the Disposed Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of	518,609
Goodwill	4,534
	523,143
Gain on disposal	5,289
Total net consideration	528,432
Satisfied by:	
Net cash consideration	528,432
Net cash inflow arising on disposal:	
Net cash consideration	528,432
Bank balances and cash disposal of	(3,215)
	525,217

The subsidiaries disposed of during the period used HK$191,000 in the Group's operating activities, generated HK$156,000 from the investing activities and used HK$740,000 in the financing activities.

15. PLEDGE OF ASSETS

As at 31st December, 2004, the Group has pledged its investment properties of HK$609,000,000 as securities against bank loans granted to the Group. The pledge was released and the bank loans were settled during the period.

As at 31st December, 2004, the Group has pledged the shares of certain of its subsidiaries to a bank and other independent third parties as securities for bank and other loans granted to the Group. The pledge was released and the loans were settled during the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

16. CONTINGENT LIABILITIES

As at 30th June, 2005, 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$3,800,000 (31st December, 2004: HK$7,500,000). The Directors are of the opinion that the major part of the claims are to be indemnified by main contractors of the relevant projects or covered by insurance policy of the Group and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the financial statements.

(ii) As 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 Group's investment properties, which had been disposed of in February 2005 through the disposal of subsidiaries. After the disposal, the Group is still liable to the necessary improvement works. Final tender for the relevant improvement works is still not ascertained at the date of the report. No provision has been made in the financial statements. In the opinion of the directors, the amount involved is insignificant and hence, will not give rise to any material adverse impact on the financial position of the Group.

(iii) As at 15th February, 2005, a deed of indemnity in respect of taxation was entered into among one of the subsidiaries and the Disposed Group regarding the potential tax claims by tax authority to the Disposed Group. The Directors are of the opinion that the potential for the tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the financial statements.

17. RELATED PARTY TRANSACTIONS

During the period, the Group paid office rent of HK$342,000 (six months ended 30th June, 2004: HK$342,000) to a related company. The related company is beneficially held by Mr. To Shu Fai, a director of the Company.

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 6 to 25.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2005.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16th September, 2005

OTHER INFORMATION

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2005 with the Directors. At the request of Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants.

Directors' Interests in Shares

As at 30th June, 2005, 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, 2005, 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, 2005.

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, 2005.

Corporate Governance

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2005, save for a few exceptions specified and explained below:

Code Provision A.4.1

Under the Code, the Non-executive Directors should be appointed for a specific term, subject to re-election.

Currently, the three Independent Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-laws of the Company.

All Independent Non-executive Directors will retire in the next annual general meeting and will only be re-appointed for one year if they are re-elected in the next annual general meeting.

Code Provision A.4.2

Under the Code, all Directors be appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Currently, pursuant to the Article 87 of the Company's Bye-laws, the Chairman of the Board and/or the Managing Director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. To comply with the Code, the Company will amend the Bye-laws in its next annual general meeting.

Corporate Governance *(Cont'd)*

Code Provision B.1.1

Under the Code, the Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be Independent Non-executive Directors.

The Company has established the remuneration committee on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. The committee comprises three members who are all Independent Non-executive Directors of the Company.

The Group will implement in the second half of this year certain internal control procedures where necessary after reviewing the Internal Control and Risk Management Guide issued by the Hong Kong Institute of Certified Public Accountants. We are sure these new moves will assist the healthy growing of the Group.

Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules for securities transactions by Directors of the Company. Having made specific enquiry of all directors, the Directors had complied with the required standard set out in the Model Code throughout the period ended 30th June, 2005.

As a growing enterprise, we understand the importance of upholding integrity for the smooth-running and efficiency of the Group. We are going to improve our corporate governance so that we are at the forefront of business transparency, and have a management and remunerations structure which satisfies the industry's standards.