THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Daido Group Limited, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

DAIDO

DAIDO GROUP LIMITED

大 同 集 團 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 544)

MAJOR TRANSACTION INVOLVING THE DISPOSAL

Financial adviser to Daido Group Limited

TIS Securities (HK) Limited

* *For identification purpose only*

22 March 2006

CONTENTS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

"ALC"	autoclaved aerated lightweight concrete
"Board"	The board of Directors
"Business Day"	a day (other than Saturday and days on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open in Hong Kong for general banking business
"Company"	Daido Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	completion of the Disposal pursuant to the Disposal Agreement
"Completion Date"	date on which Completion takes place
"Directors"	directors of the Company
"Disposal"	The disposal of the Disposal Group by the Vendor pursuant to the Disposal Agreement
"Disposal Group"	Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited, Ytong Hong Kong Limited, each of them is either a direct or an indirect wholly-owned subsidiary of the Vendor
"Disposal Agreement"	The conditional agreement dated 17 February 2006 entered into between Daido (BVI) Limited as the vendor and Noble Star Pacific Limited as the purchaser in relation to the sale and purchase of the entire issued share capital of each member of the Disposal Group
"Group"	The Company and its subsidiaries
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Housing Authority"	The Hong Kong Housing Authority
"Independent Third Party(ies)"	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and are not connected persons of the Company

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Latest Practicable Date"	20 March 2006, the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"PRC"	People Republic of China, and the purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Property"	an ALC manufacturing factory with a gross floor area of approximately 25,000 square metres erected on a piece of land held by Daido Building Materials Limited by way of sub-lease, which is situate at No. 50 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong whose legal title is possessed and beneficially owned by Daido Building Materials Limited, being one of members of the Disposal Group
"Purchaser"	Noble Star Pacific Limited, a company incorporated in British Virgin Islands with limited liability, which is an independent third party who is not connected person of the Company, the directors, chief executive or substantial shareholders of the Company and its subsidiaries and associates of any of them (as defined under the Listing Rules)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	Holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Valuation Report"	An independent valuation report prepared by RHL Appraisal Ltd. in relation to the Property and the production machinery
"Vendor"	Daido (BVI) Limited, a company incorporated in British Virgin Islands with limited liability and wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars
"%"	per cent.

DAIDO GROUP LIMITED
大同集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock code: 544)

Directors:
Executive Directors:
Mr. To Shu Fai
Mr. Fung Wa Ko
Mr. Tang Tsz Man, Philip

Independent non-executive Directors:
Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal Place of Business:
Unit No. 1906, 19/F
West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

22 March 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION INVOLVING THE DISPOSAL

1. INTRODUCTION

Reference is made to the announcement made by the Company dated 22 February 2006 regarding the Disposal.

The purpose of this circular is to provide you with further information relating to the Disposal.

2. BACKGROUND

The Board announced that the Disposal Agreement was entered into between the Vendor and the Purchaser on 17 February 2006 under which the Vendor agreed to sell, and the Purchaser agreed to purchase, the entire interests in the Disposal Group in respect of the Disposal for a consideration of HK$25 million, subject to terms and conditions in the Disposal Agreement.

* *For identification purpose only*

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. The Disposal is conditional on, among other things, approval by the Shareholders at the special general meeting according to Rule 14.40 of the Listing Rules or written approval of Shareholders be accepted by the Stock Exchange in lieu of holding the said meeting (as the case may be). Pursuant to Rule 14.44 of the Listing Rules, if (i) no shareholder is required to abstain from voting at the special general meeting and (ii) the written shareholders' approval has been obtained from a shareholder or closely allied group of shareholders who together hold more than 50% of the nominal value of the securities giving the right to attend and vote at that general meeting to approve the transaction, a written shareholders' approval may be accepted in lieu of holding a general meeting.

On 6 March 2006, the Company had obtained a written certificate issued by Top Synergy Associates Limited, being the controlling Shareholder since July 2003, interested in 2,023,231,329 Shares, represent approximately 67.44% of the issued Shares but have no interest in the Disposal Agreement (save and except its equity interest in the Company which is the same as those of other Shareholders) approving the Disposal. The Company therefore has met the requirements of the Rule 14.44 of the Listing Rules for not holding the said meeting.

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties of the Company and no Shareholder has a material interest in the Disposal other than through its interest in the Company, and none of the Purchaser and its ultimate beneficial owners and any of their associates have any interest in the Shares.

3. THE DISPOSAL AGREEMENT

Major terms of the Disposal Agreement

Date:	17 February 2006
Vendor:	Daido (BVI) Limited, a wholly-owned subsidiary of the Company
Purchaser:	Noble Star Pacific Limited, a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in the business of the construction of concrete batching plants, construction of cement plants and civil engineering
Assets to be sold:	the entire issued share capital of each company comprised of the Disposal Group, each of which is either a direct or an indirect wholly-owned subsidiary of the Vendor

Consideration

The total consideration for the entire interests in the Disposal Group is HK$25 million, payable in cash by the Purchaser in full to the Vendor or its nominee in the following manners:

- Upon fulfillment of all the conditions set out below, HK$5 million as deposit and part payment of the total consideration to the Vendor; and
- the balance of the total consideration upon the Completion.

The consideration has been arrived at after arm's length negotiations between the parties thereto having taken into account the unaudited consolidated net asset value of the Disposal Group (after deducting the amount due from the Vendor of approximately HK$41 million) as at 31 December 2005 of approximately HK$67.8 million. The consideration represents a discount of approximately 63% to the unaudited consolidated net asset value of the Disposal Group as at 31 December 2005. The Directors including the independent non-executive Directors consider the terms under the Disposal Agreement are on normal commercial terms that are fair and reasonable and in the interest of the Shareholders.

Conditions of the Disposal Agreement

Completion of the Disposal Agreement is conditional upon:

a. the result of the due diligence exercise carried out by the Purchaser in the assets and liabilities and business of the Disposal Group within 30 days from the date of the Disposal Agreement being satisfactory in all respects to the Purchaser and written notice to that effect having been given to the Vendor.

b. if required, the Disposal Agreement and the Disposal being approved by the Shareholders who are required under the Listing Rules to vote at the special general meeting of the Shareholders convened by the Company or written approval of Shareholders be accepted by the Stock Exchange in lieu of holding a special general meeting of Shareholders (as the case may be);

c. if required, all waivers, consents or approval of the Stock Exchange in relation to the Disposal and the implementation of the Disposal Agreement having been obtained; and

d. proof of good title of Daido Building Materials Limited, being a member of the Disposal Group, to the Property which is held by Daido Building Materials Limited under a sublease in accordance with Section 13 of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) to the Purchaser.

The Purchaser may from time to time waive any of the conditions (excluded condition b and condition c) as stated above by notice to the Vendor.

In the event that the above conditions are not fulfilled within 90 days from the date of the Disposal Agreement, i.e. 18 May 2006 or such later date as the Vendor and the Purchaser may agree in writing, the Disposal Agreement shall lapse and the Deposit (with interest accrued thereon) shall on the next Business Day following receipt by the Vendor's solicitors of a written notice from the Purchaser be refunded to the Purchaser without prejudice to any of its other rights in respect thereof.

As at the Latest Practicable Date, conditions a, b and c, as stated above, have been fulfilled.

Completion of the Disposal Agreement

Completion shall take place within 5 Business Days after all the conditions as stated above have been fulfilled or, if applicable, waived by the Purchaser at the offices of the Purchaser (or at such other time or place as the Vendor and the Purchaser may agree).

4. INFORMATION ON THE GROUP AND THE DISPOSAL GROUP

Information on the Group

The principal activities of the Group prior to the Disposal are the manufacture, sales and installation of ALC blocks and panels and property investment and the provision of cold storage service, the manufacturing and trading of ice in Hong Kong and the provision of logistics services. The Group started its manufacture, sales and installation of ALC products business since 1991 and is one of the main source of revenue of the Group prior to the Disposal. The Group started its business of provision of cold storage service, the manufacturing and trading of ice in Hong Kong and the provision of logistics services since the acquisition of all the issued share capital of Best Merchant Limited in January 2006 which has principally been engaged in the provision of cold storage service and logistices service in Hong Kong for more than 4 years. Prior to the acquisition of all the issued share capital of Best Merchant Limited, the Group does not have any management experience in the provision of cold storage related services and logistics services.

The Group disposed of its cold storage properties in Kwai Chung, Hong Kong, being the investment properties of the Group and the completion of such disposal took place in February 2005. The proceed of approximately HK$650 million from the disposal were mainly used to repay the Group's banking borrowings of approximately HK$233.5 million and other loans of approximately HK$146.6 million, which therefore has strengthened its financial position. After the disposal of the cold storage properties, the Group had leased back the properties for a period of 14 years from the purchasers.

In view of the regional integration and the economic ties between the Pearl River Delta cities of the Mainland China, Macau and Hong Kong become closer, traffic, logistics and cold storage warehousing facilities are expected to grow. The Group acquired Best Merchant Limited in January 2006, a company incorporated in the British Virgin Islands, which has principally been engaged in the provision of cold storage service and logistics service in Hong Kong for more than four years. After the acquisition of Best Merchant Limited, the Group is also considering to expand its logistics arms by increasing the number of trucks and redeploying its packaging centre and will exploit the opportunity to participate in the cold storage business in the PRC and Macau.

As at the Latest Practicable Date, there was no specific investment project identified.

Information on the Disposal Group

The Disposal Group consists of four companies, each of which is either a direct or an indirect wholly-owned subsidiary of Daido (BVI) Limited, which is principally engaged in the manufacture, sale and installation of ALC products. Such products are mainly used in the building of Home Ownership Scheme flats and the public rental house flats. After the Disposal, the Group would no longer engaged in the ALC business.

The key financial figures of the Disposal Group for each of the financial years 2003 and 2004 and for the six months ended 30 June 2005 are set out below:

31 December 2003

	Disposal Group *(HK$ million)* (Audited)	**% of the Group**
Turnover	77.6	51.0
Profit before taxation	24.7	100.0
Net profit	24.6	118.3
– operating profits	15.2	73.1
– non-operating profits**	9.4	45.2
Net asset value^^	76.6	38.0

31 December, 2004

	Disposal Group *(HK$ million)* (Audited)	**% of the Group**
Turnover	68.1	62.3
Profit before taxation	58.8	69.7
Net profit	58.3	67.5
– operating loss	(0.2)	N.A.
– non-operating profits##	58.5	67.7
Net asset value^^	134.9	34.7

For the six months ended 30 June 2005

	Disposal Group *(HK$ million)* (Unaudited)	**% of the Group**
Turnover	38.4	65.6
Profit before taxation	3.4	77.3
Net profit	3.3	89.2
– operating profits	2.6	70.3
– non-operating profits	0.7	18.9
Net asset value^^	138.2	35

Notes:

** The non-operating profits in 2003 mainly comprised gain on disposal of a subsidiary company of approximately HK$4.5 million and net loan interest income of approximately HK$1.7 million and net management fee income from fellow subsidiaries of approximately HK$3.6 million.

The non-operating profits in 2004 mainly comprised reversal of impairment loss in respect of property, plant and machinery of approximately HK$56 million and net loan interest income of approximately HK$3.9 million.

^^ The respective net asset value includes the respective amount due from the Vendor, i.e. HK$15.5 million, HK$29.3 million and HK$29.3 million respectively.

The audited consolidated net asset value for the two years ended 31 December 2004 and the unaudited consolidated net asset value for the six months ended 30 June 2005 of the Disposal Group are approximately HK$76.6 million, HK$134.9 million and HK$138.2 million respectively.

The principal assets of the Disposal Group include an ALC manufacturing factory with a gross site area of approximately 25,000 square metres erected on a piece of land held by Daido Building Materials Limited by way of sub-lease which is situated at No. 50 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong and the production machinery therein whose legal title is possessed and beneficially owned by Daido Building Materials Limited. The unaudited book value of the ALC manufacturing factory and the production machinery as at 31 December 2005 as adjusted on the basis of independent valuation report prepared by RHL Surveyors Ltd. amounted to HK$52 million. The audited and unaudited book value of the ALC manufacturing factory and the production machinery as at 31 December 2004 and 30 June 2005 are HK$91.2 million and HK$87.8 million respectively.

As at 31 December 2005, the other major assets of the Disposal Group include retention receivable of approximately HK$5.8 million, account receivables of approximately HK$7 million, inventories of approximately HK$6 million and amount due from the Vendor of approximately HK$41 million. Except for the amount due from the Vendor amounted to approximately HK$41 million as at 31 December 2005, (or any other amount as at the Completion Date) which will be waived and released by the Disposal Group upon Completion according to the Disposal Agreement, all the other assets (other than the ALC manufacturing factory and the production machinery) sold at cost based on the value on the Completion Date.

As at 31 December 2005, the major liabilities of the Disposal Group include account payable and other payable of approximately HK$8 million and amount due to customers for contract works of approximately HK$4 million. All the liabilities will be transferred to the Purchaser based on the value on the Completion Date.

5. REASON FOR THE DISPOSAL

Reason for the Disposal

According to the interim report of the Company for the six months ended 30 June 2005 (the "**Interim Report**"), the Directors expected the performance of ALC products would improve in the year 2006 as (i) in the public sector, HKSAR government planned to construct approximately 88,000 units of public rental housing in the five years from 2004 onwards; (ii) in the private sector, construction projects like hotels and A-class office buildings to increase with a prospering property market; and (iii) the possibility of tapping the Macau construction market.

However, according to the information in the web site of Housing Authority in January 2006, the Housing Authority endorsed resale of surplus Home Ownership Scheme flats, currently standing at 16,641 units, in two phases per year and about 2000 to 3000 units per phase from 2007 onwards. Unlike the previous arrangements, the Housing Authority would decline all buyback offers and no mortgage subsidy would be provided to purchasers for the resale of surplus Home Ownership Scheme flats at that time. According to the statistic from the website of the Housing Authority on 11 November 2005, the construction of public rental house flats would decrease from approximately 21,000 units in 2005 to approximately 15,600 units per year for the coming next five year period from 2005/06 to 2009/10. The above information, to the best of knowledge of the Directors, is the latest information available to the public. The demand for the Disposal Group's ALC products in construction projects like hotels and A-class office buildings is not as optimistic as that previously stated in the Interim Report and the tapping of the opportunity in the Macau construction market has not yet materialised.

In light of the above, the Directors take the view that (i) the resale of surplus Home Ownership Scheme flats would have negative impact on the property development market in Hong Kong; (ii) the policy of ceasing construction of Home Ownership Scheme flats remains unchanged and the decrease in the number of the construction of public rental house flats for the next five years which would have negative impact on the business of the Disposal Group since the products of the Disposal Group were mainly used for the construction of the Home Ownership Scheme flats and the public rental house flats; and (iii) the demand for the Disposal Group's ALC products in construction projects like hotels and A-class office buildings has not yet materialised. Based on the above, the Directors consider that the business of ALC is under keen competition and less favourable prospects.

In addition, the Directors consider that (i) the increasingly competitive environment in the business of ALC in Hong Kong as competitors are pricing their products at "cut-throat" prices which led to the decrease of gross profit margin of the Disposal Group since 2003 and continuous onwards; (ii) the increasing pressure on surging cost of raw materials, labour and transportation in Hong Kong; and (iii) the continuous under-production level; and, therefore, the Directors believe that the Disposal represents a good opportunity for the Company to realize the business of ALC, which is under keen competition and less favourable prospects, at a reasonable price.

Consideration

The consideration under the Disposal Agreement of HK$25 million has been arrived at after arm's length negotiations between the Purchaser and the Vendor, having taken into account the net asset value of the Disposal Group, being the unaudited net asset value of the Disposal Group after deducting the amount due from the Vendor of approximately HK$41 million as at 31 December 2005, of HK$67.8 million and the business prospect of ALC in Hong Kong.

As stated above, the principal assets of the Disposal Group include an ALC manufacturing factory and the production machinery with an unaudited book value of approximately HK$52 million as at 31 December 2005 according to the Valuation Report. The Directors consider that since it is difficult to find potential buyers in the market that are interested to engage in the manufacturing of ALC products and willing to buy the Property and the production machinery, especially at a price close to that stated in the Valuation Report, discount made to the net asset value of the Disposal Group in arriving at the consideration for the Disposal is unavoidable. There were only three transactions relating to transfer of industrial use land within the industrial estate managed by The Hong Kong Science and Technology Parks Corporation which is similar to the transaction as contemplated by the Disposal Agreement for the past five years. Therefore, it further demonstrate that it is difficult to find potential buyers in the market that interest in the Property. In addition, the Directors consider that if the assets of the Disposal Group were disposed of to different buyer(s) separately instead of to the Purchaser, the Disposal Group as a going concern business, it is uncertain that (i) whether there are immediate buyer(s) to the aforesaid assets in the near future; (ii) whether the aggregate of the respective considerations would be more favourable than that for the Disposal; and (iii) the quantum of the claims and compensation to which the Group may be exposed in terminating the underlying business and disposing of the assets separately.

The Company has searched for potential purchasers after considering disposal of the Disposal Group. However, no purchaser could be identified except for the Purchaser. There is no other potential purchaser approaching the Group regarding the Disposal Group during the period when the Directors obtained and consider the offer from the Purchaser and after the release of the Announcement.

Since it is difficult in locating potential buyer due to the keen competition environment in the ALC market in Hong Kong; and the uncertainty that whether there is any buyer in the near future, in spite of the financial effect on the Group after the Disposal, the Directors including the independent non-executive Directors consider the terms for the Disposal Agreement to be fair and reasonable and in the best interest to the Shareholders as a whole.

The proceeds from the realization of the business through the Disposal enables the Group to diversify into other business opportunities which enhances the continuous business growth of the Group. Currently, no target has been identified by the Company and the Company has no concrete plan so far as to the diversification of the business of the Group in the near future.

It is estimated that, as a result of the Disposal, the Group will record, subject to review by the auditors of the Company, a book loss of approximately HK$42.8 million, which is equal to the difference between the unaudited carrying value of the Disposal Group (after deducting the amount due from the Vendor of approximately HK$41 million) as at 31 December 2005 and the consideration for the Disposal.

Upon completion of the Disposal Agreement, all the members of the Disposal Group will cease to be subsidiaries of the Company and the Group would not have any interest in the Disposal Group.

6. FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the unaudited consolidated net asset value of the Group will decrease by approximately HK$42.8 million, which is equal to the difference between the unaudited carrying value of the Disposal Group (after deducting the amount due from the Vendor of approximately HK$41 million) as at 31 December 2005 and the consideration for the Disposal.

As set out in the section headed "Information on the Group and the Disposal Group", for each of financial years 2003 and 2004 and for the six months ended 30 June 2005, the aggregate turnovers of the Disposal Group accounted for approximately 51%, 62.3% and 65.6% of the respective total turnover of the Group. Over the same period, the aggregate net profits of the Disposal Group accounted for approximately 118.3%, 67.5% and 89.2% of the respective total net profit of the Group. Accordingly, the Disposal would deprive the Group of revenues and profit from the Disposal Group.

7. FUTURE PROSPECTS OF THE GROUP

Looking ahead, the Group will continue to engage in the provision of cold storage services and the manufacturing and trading of ice in Hong Kong and the provision of logistics services since the acquisition of all the issued share capital of Best Merchant Limited in January 2006. The Directors consider that as the regional integration and the economic ties between the Pearl River Delta cities of the Mainland China, Macau and Hong Kong become closer, traffic, logistics and cold storage warehousing facilities are expected to grow. The Group, benefiting from the experience from the management at Best Merchant Limited in cold storage warehousing, will exploit the opportunity to participate in the area of logistics and cold storage warehousing related business in the near future.

The Group currently have no intention to change their existing principal activities and business strategy. It is, however, the intention of the Group to continue its efforts in exploring other viable business opportunities to further enhance shareholders value and/or the overall business prospect of the Company. These transactions, if undertaken by the Company, will be conducted in full compliance with the Listing Rules. As at the Latest Practicable Date, the Company has no specific investment plan or identified investment target.

8. PROCEDURES FOR DEMANDING A POLL

The following sets out the procedures by which the Shareholders may demand a poll at a special general meeting of the Company.

Pursuant to Bye-laws 66 of Bye-laws of the Company, a poll can be demanded by:

(a) the chairman of the meeting;

(b) at least three members present in person or by proxy or authorised representative for the time being entitled to vote at the meeting;

(c) any member or members present in person or by proxy or authorised representative and representing not less than one-tenth of the total voting rights of all members having the right to attend and vote at meeting; or

(d) any member or members present in person or by proxy or authorised representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Pursuant to Rule 14.44 of the Listing Rules, if (i) no shareholder is required to abstain from voting at the special general meeting and (ii) the written shareholders' approval has been obtained from a shareholder or closely allied group of shareholders who together hold more than 50% of the nominal value of the securities giving the right to attend and vote at that general meeting to approve the transaction, a written shareholders' approval may be accepted in lieu of holding a general meeting.

On 6 March 2006, the Company had obtained a written certificate issued by Top Synergy Associates Limited, being the controlling Shareholder since July 2003, interested in 2,023,231,329 Shares, represent approximately 67.44% of the issued Shares but have no interest in the Disposal Agreement (save and except its equity interest in the Company which is the same as those of other Shareholders) approving the Disposal. The Company therefore has met the requirements of the Rule 14.44 of the Listing Rules for not holding the said meeting.

9. RECOMMENDATIONS

The Directors including the independent non-executive Directors consider that the terms of the Disposal are fair and reasonable to the Company and are in the interest of the Shareholders as a whole. The Disposal is subject to the approval from Shareholders. The Directors would recommend the Shareholders to vote in favour of the Disposal.

10. ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

Yours faithfully,
By order of the Board
Daido Group Limited
To Shu Fai
Chairman

FINANCIAL SUMMARY

The following is a summary of the audited consolidated results the Group for three years ended 31 December 2004 extracted from the respective annual reports of the Company.

Results

	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000* (Restated)
Turnover	109,247	152,112	158,634
Cost of sales	(57,532)	(88,067)	(111,416)
Gross profit	51,715	64,045	47,218
Other operating income	1,066	1,589	4,497
Selling and distribution costs	(2,900)	(3,433)	(6,181)
Administrative expenses	(10,605)	(17,887)	(28,554)
Allowance for bad and doubtful debts	(1,369)	(108)	(389)
Write back of allowance for bad and doubtful debts	66	682	(3,064)
Gain (loss) on disposal of interest in subsidiaries			
– continuing operations	–	505	–
– discontinuing operations	–	(8,823)	–
Reversal of impairment loss in respect of property, plant and equipment	55,946	–	–
Amortisation of goodwill	(555)	(463)	–
Profit from operations	93,364	36,107	19,655
Finance costs	(8,463)	(11,397)	(1,008)
Amortisation of goodwill in an associate	(166)	–	–
Share of result of an associate	(288)	–	–
Profit before taxation	84,447	24,710	18,647
Taxation	1,972	(3,879)	(2,364)
Net profit for the year	86,419	20,831	16,283
Dividend	–	–	9,000
Earnings per share- basic	2.88 cents	0.69 cents	0.5428 cents

Assets and liabilities

	As at 31 December		
	2004	2003	2002
	HK$'000	*HK$'000*	*HK$'000*
Total assets	770,931	629,294	234,167
Total liabilities	(382,775)	(427,557)	(58,315)
Net assets	338,156	201,737	175,852

I. AUDITED FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group for the two years ended 31 December 2004 together with the relevant notes thereto as reproduced from the Company's annual report for year ended 31 December 2004:

Consolidated Income Statement
For the year ended 31st December, 2004

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
Turnover	*4*	109,247	152,112
Cost of sales		(57,532)	(88,067)
Gross profit		51,715	64,045
Other operating income	*5*	1,066	1,589
Selling and distribution costs		(2,900)	(3,433)
Administrative expenses		(10,605)	(17,887)
Allowance for bad and doubtful debts		(1,369)	(108)
Write back of allowance for bad and doubtful debts		66	682
Gain (loss) on disposal of interest in subsidiaries			
– continuing operations		–	505
– discontinuing operations		–	(8,823)
Reversal of impairment loss in respect of property, plant and equipment	*6*	55,946	–
Amortisation of goodwill		(555)	(463)
Profit from operations	*7*	93,364	36,107
Finance costs	*8*	(8,463)	(11,397)
Amortisation of goodwill in an associate		(166)	–
Share of results of an associate		(288)	–
Profit before taxation		84,447	24,710
Taxation	*11*	1,972	(3,879)
Net profit for the year		86,419	20,831
Dividend	*12*	–	–
Earnings per share	*13*		
Basic		2.88 cents	0.69 cents

Consolidated Balance Sheet
At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSETS			
Investment properties	14	609,000	509,000
Property, plant and equipment	15	91,395	40,513
Goodwill	16	4,534	5,089
Interest in an associate	18	1,546	–
Long-term receivables	19	13,724	17,052
Rental deposits and other assets		–	225
Deferred tax assets	29	942	1,472
		721,141	573,351
CURRENT ASSETS			
Inventories	20	5,929	5,150
Trade and other receivables	21	23,001	35,095
Loans receivable	22	7,875	7,875
Amounts due from customers for contract work	23	–	2
Tax recoverable		122	–
Bank balances and cash		12,863	7,821
		49,790	55,943
CURRENT LIABILITIES			
Amounts due to customers for contract work	23	13,545	14,867
Trade and other payables	24	24,664	30,683
Amount due to ultimate holding company		–	900
Borrowings	25	150,865	147,266
Unclaimed dividends		20	100
		189,094	193,816
NET CURRENT LIABILITIES		(139,304)	(137,873)
		581,837	435,478
CAPITAL AND RESERVES			
Share capital	26	30,000	30,000
Reserves		358,156	171,737
		388,156	201,737
NON-CURRENT LIABILITIES			
Borrowings	25	187,181	222,656
Guarantee money received		3,000	3,000
Deferred tax liabilities	29	3,500	8,085
		193,681	233,741
		581,837	435,478

Balance Sheet
At 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
NON-CURRENT ASSET			
Investments in subsidiaries	17	123,239	123,239
CURRENT ASSETS			
Other receivables		110	166
Amounts due from subsidiaries		258	2,497
Bank balances and cash		36	188
		404	2,851
CURRENT LIABILITIES			
Other payables		1,079	1,577
Amount due to ultimate holding company		–	900
Amounts due to subsidiaries		–	1,100
Unclaimed dividends		20	100
		1,099	3,677
NET CURRENT LIABILITIES		(695)	(826)
		122,544	122,413
CAPITAL AND RESERVES			
Share capital	26	30,000	30,000
Reserves	28	92,544	92,413
		122,544	122,413

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2004

	Share capital	Goodwill reserve	Negative goodwill	Investment properties revaluation reserve	Capital reserve	Retained profits (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note 1)*	*HK$'000*	*HK$'000*
At 1st January, 2003	30,000	(11,069)	29	–	1,291,271	(1,134,379)	175,852
Surplus on revaluation not recognised in the 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 year	–	–	–	–	–	20,831	20,831
Dividend paid	–	–	–	–	–	(9,000)	(9,000)
At 31st December, 2003	30,000	–	–	3,014	–	168,723	201,737
Surplus on revaluation not recognised in the consolidated income statement	–	–	–	100,000	–	–	100,000
Net profit for the year	–	–	–	–	–	86,419	86,419
At 31st December, 2004	30,000	–	–	103,014	–	255,142	388,156

Notes:

(1) Capital reserve comprises 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 resolved to transfer capital reserve of HK$1,291,271,000 to set off against the Group's accumulated losses.

Consolidated Cash Flow Statement
For the year ended 31st December, 2004

	Notes	2004 HK$'000	2003 HK$'000
OPERATING ACTIVITIES			
Profit from operations		93,364	36,107
Adjustments for:			
Loss on disposal of interest in subsidiaries		–	8,318
Interest income		(1,055)	(861)
Allowance for bad and doubtful debts		1,369	108
Write back of allowance for bad and doubtful debts		(66)	(682)
Reversal of impairment loss in respect of property, plant and equipment		(55,946)	–
Amortisation of goodwill		555	463
Depreciation		5,797	6,973
Loss on disposal of property, plant and equipment		–	106
Operating cash flows before movements in working capital		44,018	50,532
Increase in inventories		(779)	(5,817)
Decrease (increase) in trade and other receivables		9,369	(34,206)
Decrease in amounts due from customers for contract work		2	77
Increase in amounts due from former fellow subsidiaries		–	(453)
Decrease in amounts due to customers for contract work		(1,322)	(7,094)
(Decrease) increase in trade and other payables		(4,260)	17,121
(Decrease) increase in amount due to ultimate holding company		(900)	900
Increase in amounts due to former fellow subsidiaries		–	2,846
Net cash generated from operations		42,128	23,906
Hong Kong Profits Tax paid		(2,205)	(3)
NET CASH FROM OPERATING ACTIVITIES		43,923	23,903

	Notes	2004 HK$'000	2003 HK$'000
INVESTING ACTIVITIES			
Interest received		1,155	2,560
Purchase of property, plant and equipment		(733)	(704)
Proceeds from disposal of property, plant and equipment		–	119
Acquisition of an associate		(2,000)	–
Acquisition of subsidiaries, net of cash and cash equivalent acquired	*30*	–	(75,631)
Disposal of subsidiaries, net of cash and cash equivalent disposed of	*31*	–	95,122
Decrease (increase) in other loans receivable		4,875	(6,281)
Decrease in building mortgage loans receivable		–	115
NET CASH FROM INVESTING ACTIVITIES		3,297	15,300
FINANCING ACTIVITIES			
Dividend paid		(80)	(8,912)
Interest paid		(10,222)	(6,461)
Repayment of borrowings		(31,876)	(151,218)
Repayment of obligations under finance leases		–	(2,020)
New borrowings raised		–	94,500
New trust receipt loans raised		–	3,693
Guarantee money received		–	3,000
NET CASH USED IN FINANCING ACTIVITIES		(42,178)	(67,418)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		5,042	(28,215)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		7,821	36,036
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		12,863	7,821
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		12,863	7,821

Notes to the Financial Statements

For the year ended 31st December, 2004

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's ultimate holding company is Top Synergy Associates Limited, a company which is incorporated in the British Virgin Islands.

The principal activities of the Group are manufacture, sales and installation of autoclaved aerated lightweight concrete blocks and panels ("ALC products") and properties investment.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

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

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

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life of 10 years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

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

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

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

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

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the goodwill in so far as it has not already been amortised, less any identified impairment loss.

Revenue recognition

Construction contracts

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

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

Others

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

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

Investment properties

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

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

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to the property disposed is credited in the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the leases
Industrial buildings	Over the shorter of the terms of the leases, or 20 to 25 years
Leasehold improvements	Over the shorter of the terms of the leases or 10 years
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

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

Inventories

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

The cost of inventories of ALC products comprises direct materials and, where applicable, direct labour costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method.

The cost of piles, metal products and welded wire mesh, which comprises cost of purchases and, where applicable, direct labour costs, sub-contractors' costs and those production overheads that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

Net realisable value represents the expected selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Construction contracts

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

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

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

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

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Operating lease

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

Retirement benefit costs

Payments to defined contribution retirement benefit plan/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

4. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into two operating divisions – construction work contracting and sales of concrete products, and properties investment.

In December 2004, the Group entered into a conditional Sale and Purchase Agreement to dispose of entire issued capital in certain subsidiaries, all of which carried on property investment businesses. The property investment businesses became discontinued upon the completion of the disposal on 15th February, 2005.

In July 2003, the Group discontinued to sell steel products and manufacture and sell metal products. The net segment result of HK$3,438,000 represented the results of the subsidiaries disposed of during the period from 1st January, 2003 to 30th June, 2003.

Segment information about these businesses is presented below as primary segment information.

2004

	Continuing operation	Discontinuing operations			
	Construction work contracting and sales of concrete products	**Properties investment**	**Sales of steel products**	**Manufacture and sales of metal products**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	68,053	41,194	–	–	109,247
Inter-segment sales	–	–	–	–	–
Total revenue	68,053	41,194	–	–	109,247

Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.

SEGMENT RESULT	(149)	39,854	–	–	39,705
Amortisation of goodwill	–	(555)	–	–	(555)
Reversal of impairment loss in respect of property, plant and equipment	55,946	–	–	–	55,946
Unallocated corporate expenses					(1,732)
Profit from operations					93,364
Finance costs	–	(8,463)	–	–	(8,463)
Amortisation of goodwill in an associate					(166)
Share of results of an associate					(288)
Profit before taxation					84,447
Taxation					1,972
Net profit for the year					86,419

BALANCE SHEET

	Continuing operation	Discontinuing operations			
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	135,817	627,415	–	–	763,232
Unallocated corporate assets					7,699
Consolidated total assets					770,931
LIABILITIES					
Segment liabilities	35,327	3,742	–	–	39,069
Unallocated corporate liabilities					343,706
Consolidated total liabilities					382,775

OTHER INFORMATION

	Continuing operation	Discontinuing operations				
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure	733	–	–	–	–	733
Depreciation	5,797	–	–	–	–	5,797
Allowance for bad and doubtful debts	1,369	–	–	–	–	1,369
Amortisation of goodwill	–	555	–	–	–	555
Amortisation of goodwill in an associate	–	–	–	–	166	166

2003

	Continuing operation	Discontinuing operations				
	Construction work contracting and sales of concrete products	Properties investment	Sales of steel products	Manufacture and sales of metal products	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE						
External sales	84,025	33,500	145	34,442	–	152,112
Inter-segment sales	–	–	–	2,687	(2,687)	–
Total revenue	84,025	33,500	145	37,129	(2,687)	152,112

Inter-segment sales are charged at cost or cost plus a percentage profit mark-up.

SEGMENT RESULT	11,453	32,824	(37)	3,475	–	47,715
Gain (loss) on disposal of interest in subsidiaries	505	–	(856)	(7,967)	–	(8,318)
Amortisation of goodwill	–	(463)	–	–	–	(463)
Unallocated corporate expenses						(2,827)
Profit from operations						36,107
Finance costs	(173)	(11,111)	–	(113)	–	(11,397)
Profit before taxation						24,710
Taxation						(3,879)
Net profit for the year						20,831

BALANCE SHEET

	Continuing operation	Discontinuing operations			
	Construction work contracting and sales of concrete products *HK$'000*	**Properties investment** *HK$'000*	**Sales of steel products** *HK$'000*	**Manufacture and sales of metal products** *HK$'000*	**Consolidated** *HK$'000*
ASSETS					
Segment assets	82,705	544,470	–	–	627,175
Unallocated corporate assets					2,119
Consolidated total assets					629,294
LIABILITIES					
Segment liabilities	36,380	10,331	–	–	46,711
Unallocated corporate liabilities					380,846
Consolidated total liabilities					427,557

OTHER INFORMATION

	Continuing operation	Discontinuing operations			
	Construction work contracting and sales of concrete products *HK$'000*	**Properties investment** *HK$'000*	**Sales of steel products** *HK$'000*	**Manufacture and sales of metal products** *HK$'000*	**Consolidated** *HK$'000*
Capital expenditure	557	505,986	–	147	506,690
Depreciation	5,151	–	–	1,822	6,973
Loss on disposal of property, plant and equipment	106	–	–	–	106
Allowance for bad and doubtful debts	11	–	–	97	108
Amortisation of goodwill	–	463	–	–	463

Geographical segments

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

More than 90% of the Group's assets are located in Hong Kong and more than 90% of additions to property, plant and equipment during the year are incurred in Hong Kong.

5. OTHER OPERATING INCOME

	2004	2003
	HK$'000	*HK$'000*
Exchange gain, net	8	–
Interest income from		
– bank deposits	6	139
– loans receivable	1,049	722
Other service income	–	18
Property manager's remuneration	–	192
Sales of tools and materials	–	480
Sundry income	3	38
	1,066	1,589

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

During the year, the directors have reviewed the carrying values of the leasehold land and buildings by reference to a professional valuation made by Vigers Appraisal & Consulting Limited (formerly known as 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 31st December, 2004 is not materially different from the professional valuation made as at 30th April, 2004.

7. PROFIT FROM OPERATIONS

	2004	2003
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	650	855
Depreciation		
Owned assets	5,797	6,426
Assets held under finance leases	–	547
Exchange loss, net	–	29
Loss on disposal of property, plant and equipment	–	106
Minimum lease payments for operating leases in respect of		
– land and buildings	695	285
– plant and machinery and equipment	–	–
Rental income net of outgoings of HK$2,156,000 (2003: HK$951,000) *(Note a)*	(39,038)	(32,549)
Staff costs	27,873	31,165
Amount capitalised in contract work	(13,216)	(7,731)
	14,657	23,434

Notes:–

a. Including contingent rental income of HK$994,000 (2003: nil).

b. Minimum lease payments for operating leases in respect of a former director's accommodation amounting to approximately nil (2003: HK$303,000) are included under staff costs.

8. FINANCE COSTS

	2004 *HK$'000*	2003 *HK$'000*
Interest on bank and other loans wholly repayable within five years	8,463	5,581
Interest on bank and other loans repayable after five years	–	5,614
Interest on finance leases	–	202
	8,463	11,397

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2004 *HK$'000*	2003 *HK$'000*
Fees:		
Executive	–	–
Non-executive	–	72
Independent non-executive	240	316
	240	388
Other emoluments:		
Executive		
Salaries and other benefits	820	1,734
Contribution to retirement benefits scheme	32	50
Compensation for loss of office	–	450
	852	2,234
	1,092	2,622

The directors' emoluments were within the following bands:

	2004 *Number of directors*	2003 *Number of directors*
Nil to HK$1,000,000	6	16
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	–	1
	6	17

No director waived any emoluments for the two years ended 31st December, 2004.

(b) Employees' emoluments

The five highest paid individuals included one director (2003: two directors), details of whose emoluments are set out above. The emoluments of the remaining four individuals (2003: three individuals), are as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Salaries and other benefits	2,389	1,843
Contribution to retirement benefits scheme	124	86
	2,513	1,929

Their emoluments were within the following band:

	2004	**2003**
	Number of employees	*Number of employees*
Nil to HK$1,000,000	4	3

10. DISCONTINUING OPERATIONS

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, 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 "PIB Disposal"). Details of the PIB Disposal are set out in the Circular of the Company dated 20th January, 2005.

At the special general meeting held on 7th February, 2005, an ordinary resolution proposed to approve the PIB 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 PIB Disposal took place, and the new lease arrangement executed on the same date.

The results of the discontinuing operations for each of the two years ended 31st December, 2004, which have been included in the consolidated income statement, were as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Turnover	41,194	33,500
Cost of sales	(2,157)	(951)
Gross profit	39,037	32,549
Other operating income	817	275
Administrative expenses	(15,125)	(11,023)
Profit from operations	24,729	21,801
Finance costs	(10,873)	(9,239)
Profit before taxation	13,856	12,562
Taxation	2,510	(1,749)
Net profit for the year	16,366	10,813

The carrying amounts of the assets and liabilities of the discontinuing operations at 31st December, 2004 amounted to HK$629,607,000 and HK$337,764,000 (2003: HK$539,381,000 and HK$363,904,000), respectively.

During the year ended 31st December, 2004, the discontinuing operations generated HK$23,328,000 (2003: HK$17,783,000) in respect of the Group's operating activities, generated HK$5,784,000 (2003: used HK$348,491,000) in respect of the Group's investing activities, and used HK$25,629,000 (2003: generated HK$331,212,000) in respect of the Group's financing activities.

On 15th May, 2003, the Group entered into an agreement with Worldlight Group Limited ("WGL"), 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.

The results of the discontinuing operations for the period from 1st January, 2003 to 30th June, 2003, which have been included in the consolidated income statement, were as follows:

	1.1.2003 to 30.6.2003
	HK$'000
Turnover	37,274
Cost of sales	(31,381)
Gross profit	5,893
Other operating income	31
Selling and distribution costs	(177)
Administrative expenses	(2,309)
Profit from operations	3,438
Finance costs	(113)
Profit before taxation	3,325
Taxation	(66)
Net profit for the period	3,259

The carrying amounts of the assets and liabilities of the discontinuing operations at 30th June, 2003 amounted to HK$69,476,000 and HK$18,278,000 respectively.

During the period from 1st January, 2003 to 30th June, 2003, the subsidiaries disposed of, comprising the discontinuing operations, generated HK$3,512,000 to the Group's net operating cash flows, used HK$138,000 in respect of investing activities and generated HK$3,247,000 in respect of financing activities.

11. TAXATION

	2004	2003
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	970	66
Underprovision in respect of prior years	1,113	3
	2,083	69
Deferred tax *(note 29)*		
Current year	(4,055)	3,547
Attributable to a change in tax rate in Hong Kong	–	263
	(4,055)	3,810
Tax (credit) charge	(1,972)	3,879

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

The tax (credit) charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	84,447	24,710
Tax at the Hong Kong Profits Tax rate of 17.5%	14,778	4,324
Tax effect of expenses not deductible for tax purpose	397	1,572
Tax effect of income not taxable for tax purpose	(9,854)	(138)
Increase in opening deferred tax resulting from an increase in applicable tax rate	–	263
Tax effect of tax losses not recognised	–	1,409
Utilisation of tax losses previously not recognised	(3,768)	(3,103)
Tax effect of tax losses previously not recognised but recognised in current year	(2,618)	–
Depreciation allowances claimed subsequently not agreed by the Inland Revenue Department and utilised in current year	(1,967)	–
Underprovision in respect of prior years	1,113	3
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	(38)
Others	(53)	(413)
Tax (credit) charge for the year	(1,972)	3,879

12. DIVIDEND

On 16th June, 2003, a dividend of HK$0.003 per share was paid to shareholders as the final dividend in respect of 2002.

The directors do not recommend the payment of a dividend for the year.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK$86,419,000 (2003: HK$20,831,000) and on 3,000,000,000 (2003: 3,000,000,000) ordinary shares in issue during the year.

Diluted earnings per share is not shown as there is no dilutive potential shares in existence during the year. The computation of diluted earnings per share during the year ended 31st December, 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 and accordingly, diluted earnings per share for 2003 was not presented.

14. INVESTMENT PROPERTIES

	HK$'000
THE GROUP	
VALUATION	
At 1st January, 2004	509,000
Surplus on revaluation	100,000
At 31st December, 2004	609,000

All the investment properties of the Group are situated in Hong Kong, held under medium-term leases, and are rented out under operating leases.

The investment properties of the Group were revalued on 31st December, 2004 by Vigers Appraisal & Consulting Limited (formerly known as Vigers Hong Kong Limited), an independent firm of professional property valuers, on an open market value basis. The surplus arising on revaluation of HK$100,000,000 is credited to the investment properties revaluation reserve.

Particulars of the investment properties of the Group as at 31st December, 2004 are set out on page 60.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land	Industrial buildings	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1st January, 2004	31,415	71,111	1,114	452	131,945	236,037
Additions	–	–	3	–	730	733
Disposals	–	–	–	–	(84)	(84)
At 31st December, 2004	31,415	71,111	1,117	452	132,591	236,686
DEPRECIATION						
At 1st January, 2004	26,648	63,617	1,083	378	103,798	195,524
Provided for the year	440	2,183	8	56	3,110	5,797
Impairment loss reversed	(21,270)	(34,676)	–	–	–	(55,946)
Eliminated on disposals	–	–	–	–	(84)	(84)
At 31st December, 2004	5,818	31,124	1,091	434	106,824	145,291
NET BOOK VALUES						
At 31st December, 2004	25,597	39,987	26	18	25,767	91,395
At 31st December, 2003	4,767	7,494	31	74	28,147	40,513

The leasehold land and industrial buildings of the Group are situated in Hong Kong and are held under medium-term leases.

16. GOODWILL

	HK$'000
THE GROUP	
COST	
At 1st January, 2004 and 31st December, 2004	5,552
AMORTISATION	
At 1st January, 2004	463
Amortised for the year	555
At 31st December, 2004	1,018
CARRYING AMOUNT	
At 31st December, 2004	4,534
At 31st December, 2003	5,089

Goodwill is amortised using the straight-line method over its estimated useful life of 10 years.

17. INVESTMENTS IN SUBSIDIARIES

	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	123,239	123,239

Particulars of the principal subsidiaries at 31st December, 2004 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	–	Investment holding
Best Goal International Limited	British Virgin Islands	US$1 Ordinary shares	–	100%	Investment holding
Brilliant Gain Investments Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Property investment
Daido Building Materials Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Manufacture and sales of ALC products
Daido Home International Limited	Cayman Islands	HK$225,375,000 Ordinary shares HK$91,500,000 Convertible redeemable preference shares **	–	100%	Investment holding, sales and installation of ALC products and sales of building materials
Double Worth Profits Limited	British Virgin Islands	US$1 Ordinary shares	–	100%	Investment holding
Ultimate Profits Limited	Hong Kong	HK$2 Ordinary share	–	100%	Property investment
Ytong Hong Kong Limited	Hong Kong	HK$20 Ordinary shares HK$10,000 Non-voting deferred shares *	–	100%	Installation of ALC products

* The deferred shares practically carry no right to dividend or to receive notice of or to attend or vote at any general meeting of the respective company or to participate in any distribution on winding up.

** The convertible redeemable preference shares of Daido Home International Limited carry 2% dividend per annum and have the right to receive notice of, attend, speak and vote at meetings of members only for those circumstances as mentioned in its Articles of Association.

Except for the convertible redeemable preference shares of Daido Home International Limited, none of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

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

18. INTEREST IN AN ASSOCIATE

	2004	**2003**
	HK$'000	*HK$'000*
THE GROUP		
Share of net assets	289	–
Goodwill on acquisition of an associate	1,423	–
Amortisation	(166)	–
	1,257	–
	1,546	–

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

As at 31st December, 2004, the Group has interest in the following associate:

Name	Form of business structure	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issue capital held indirectly by the Company	Principal activities
iNeTalk.com Limited	Incorporated	Hong Kong	Ordinary	16% *(Note)*	Development and deployment of high quality Internet-based communication services

Note: This Company has been accounted for as an associate as, in the opinion of the directors, the Group is in a position to exercise significant influence over the management of this Company.

19. LONG-TERM RECEIVABLES

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Other loans *(note a)*	13,406	18,281
Retention receivables *(note b)*	6,923	6,115
	20,329	24,396
Less: amounts due within one year included in		
– trade and other receivables	(1,730)	(2,469)
– loans receivable *(note a)*	(4,875)	(4,875)
Amounts due after one year	13,724	17,052

(a) The other loans to the tenant of the Group's investment properties for the purpose of upgrading the machinery and equipment in the cold storage warehouses are secured, bear interest at Hong Kong Prime Lending Rate per annum and repayable by 16 quarterly instalments commencing on 19th December, 2003.

(b) The retention receivables were not yet due at the balance sheet date according to the provisions in the construction contracts and hence, no aged analysis is presented.

20. INVENTORIES

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Raw materials	1,790	1,474
Work in progress	1,095	407
Finished goods	2,836	2,822
Supplies	208	447
	5,929	5,150

Finished goods amounting to HK$1,024,000 (2003: nil) are carried at net realisable value.

21. 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:

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
0 – 30 days	13,642	14,786
31 – 60 days	3,315	7,565
61 – 90 days	647	4,666
91 – 120 days	174	1,780
More than 120 days	1,286	1,875
	19,064	30,672

22. LOANS RECEIVABLE

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Interest bearing at Hong Kong Prime Lending Rate plus 3% per annum	3,000	3,000
Interest bearing at Hong Kong Prime Lending Rate per annum	4,875	4,875
	7,875	7,875

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

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Contracts in progress at the balance sheet date:		
Contract costs incurred to date plus attributable profits less recognised losses	137,400	126,981
Progress payments received and receivable	(150,945)	(141,846)
	(13,545)	(14,865)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	–	2
Amounts due to customers for contract work	(13,545)	(14,867)
	(13,545)	(14,865)

24. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
0 – 30 days	3,111	2,577
31 – 60 days	2,588	2,609
61 – 90 days	850	549
91 – 120 days	–	80
More than 120 days	528	64
	7,077	5,879

25. BORROWINGS

	THE GROUP	
	2004	**2003**
	HK$'000	*HK$'000*
Bank loans *(Note 1)*	222,655	254,531
Other loans *(Note 2)*	115,391	115,391
	338,046	369,922
The borrowings are repayable as follows:		
On demand or within one year	150,865	147,266
In the second year	39,075	35,475
In the third to fifth years inclusive	148,106	111,131
After five years	–	76,050
	338,046	369,922
Less: Amount due for settlement within one year shown under current liabilities	(150,865)	(147,266)
Amount due for settlement after one year	187,181	222,656

Notes:

1. The bank loans are secured by the Group's investment properties, an assignment of rental over the investment properties and the shares of certain subsidiaries, bear interest at prevailing market rate and repayable by instalments. The last instalment of one bank loan is repayable in September 2007 while another bank loan is repayable in June 2009.

2. The other loans are secured by the shares of certain 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.

26. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31st December, 2003 and 2004	5,000,000,000	50,000
Issued and fully paid:		
At 31st December, 2003 and 2004	3,000,000,000	30,000

27. SHARE OPTION SCHEME

Pursuant to the Share Option Scheme (the "Option Scheme") of the Company adopted on 29th August, 2000 which became effective on 10th November, 2000 for the primary purpose of providing incentive to directors and eligible employees, and which will expire 10 years after the date of adoption, the directors of the Company may grant options to executive directors or full time employees of the Group to subscribe for shares in the Company at a price not less than 80% of the average of the closing prices of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares, whichever is the greater. The maximum number of shares in respect of which options may be granted under the Option Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding any shares issued upon the exercise of options granted pursuant to the Option Scheme. No employee may be granted options which would enable him or her to subscribe for an aggregate of more than 25% of the aggregate number of shares under the Option Scheme. Upon acceptance of option, the grantee shall pay HK$1 to the Company as consideration.

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

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

As the Option Scheme no longer complies with the amended rules in the Listing Rules governing share schemes, no further option can be granted under the Option Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the Option Scheme.

Details of movements during the two years ended 31st December, 2004 in the Company's share options held by employees (including former directors) are as follows:

Date granted	Exercisable period (Both dates inclusive)	Exercise price	Number of share options at 1.1.2003	Lapsed during the year	Number of share options at 31.12.2003	Number of share options at 31.12.2004
		HK$				
16th November, 2000	16th May, 2001 to 15th May, 2003	0.063	135,000,000	(135,000,000)	–	–

No share option was granted or exercised during the year. The share options granted have been lapsed on 16th May, 2003.

28. RESERVES

	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY			
As 1st January, 2003	93,239	949	94,188
Net profit for the year	–	7,225	7,225
Dividend paid	(9,000)	–	(9,000)
At 31st December, 2003	84,239	8,174	92,413
Net profit for the year	–	131	131
At 31st December, 2004	84,239	8,305	92,544

Note:

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

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

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

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

	2004 *HK$'000*	2003 *HK$'000*
Contributed surplus	84,239	84,239
Retained profits	8,305	8,174
	92,544	92,413

29. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior years.

	Tax losses	**Accelerated tax depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st January, 2003	4,320	(5,526)	(1,206)
Addition on acquisition of subsidiaries	–	(7,123)	(7,123)
Disposal of subsidiaries	–	5,526	5,526
Charge for the year	(3,253)	(294)	(3,547)
Effect on change in tax rate	405	(668)	(263)
At 31st December, 2003	1,472	(8,085)	(6,613)
Credit for the year	2,418	1,637	4,055
At 31st December, 2004	3,890	(6,448)	(2,558)

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

	2004	**2003**
	HK$'000	*HK$'000*
Deferred tax assets	942	1,472
Deferred tax liabilities	(3,500)	(8,085)
	(2,558)	(6,613)

At the balance sheet date, the Group has unused tax losses of approximately HK$151,000,000 (2003: HK$152,700,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$22,000,000 (2003: HK$8,400,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$129,000,000 (2003: HK$144,300,000) due to the unpredictability of future profit streams.

30. ACQUISITION OF SUBSIDIARIES

On 1st March, 2003, the Group acquired 100% of the issued share capital of Lubrano Properties Limited and its subsidiaries (the "Lubrano Group") for cash consideration of HK$75,635,000.

The effect of the acquisition is summarised as follows:

	2004	**2003**
	HK$'000	*HK$'000*
Investment properties	–	505,986
Other receivables	–	967
Bank balances and cash	–	4
Borrowings	–	(426,640)
Other payables	–	(3,111)
Deferred tax liabilities	–	(7,123)
Net assets acquired	–	70,083
Goodwill arising on acquisition *(Note)*	–	5,552
Cash consideration	–	75,635
Net cash outflow arising on acquisition		
Cash consideration	–	75,635
Bank balances and cash acquired	–	(4)
	–	75,631

Lubrano Group generated HK$29,057,000 from operating activities, and used HK$18,120,000 and HK$10,141,000 in respect of investing and financing activities respectively during the year ended 31st December, 2003.

Lubrano Group contributed HK$33,500,000 to the Group's turnover and HK$32,824,000 to Group's profit from operations during the year ended 31st December, 2003.

Note: An adjustment was made to the carrying amount of the assets and liabilities of the subsidiaries acquired in March 2003 by taken into account the deferred tax liabilities of HK$7,123,000, and consequently the goodwill arising on acquisition have been increased by an equivalent amount.

31. DISPOSAL OF SUBSIDIARIES

	2004	2003 Construction work contracting and sales of concrete products	2003 Sales of steel products and manufacture and sales of metal products	2003 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets disposed of:				
Property, plant and equipment	–	38,554	33,777	72,331
Long-term receivables	–	466	–	466
Rental deposits and other assets	–	511	–	511
Inventories	–	1,383	17,366	18,749
Trade and other receivables	–	18,611	15,462	34,073
Amounts due from former fellow subsidiaries	–	27	1,217	1,244
Tax recoverable	–	–	372	372
Bank balances and cash	–	1,928	1,282	3,210
Trade and other payables	–	(10,567)	(3,079)	(13,646)
Trust receipt loans	–	–	(5,982)	(5,982)
Amounts due to former fellow subsidiaries	–	(176)	(2,872)	(3,048)
Deferred tax liabilities	–	–	(5,526)	(5,526)
Obligations under finance leases	–	(6,325)	(819)	(7,144)
Net assets disposed of	–	44,412	51,198	95,610
Release of goodwill	–	–	11,069	11,069
Release of negative goodwill	–	–	(29)	(29)
Gain (loss) on disposal of interests in subsidiaries	–	505	(8,823)	(8,318)
Net consideration	–	44,917	53,415	98,332
Satisfied by:				
Cash consideration	–			100,500
Less: direct expenses	–			(2,168)
Net consideration	–			98,332
Net cash inflow arising on disposal:				
Cash consideration	–			98,332
Bank balances and cash disposed of	–			(3,210)
	–			95,122

The subsidiaries disposed of during the year ended 31st December, 2003 used HK$23,804,000 in the Group's operating activities and generated HK$1,607,000 and HK$1,387,000 from the investing activities and financing activities respectively.

The subsidiaries disposed of during the year ended 31st December, 2003 contributed HK$41,983,000 to the Group's turnover and a loss of HK$150,000 to the Group's profit from operations.

32. PLEDGE OF ASSETS

At the balance sheet date, the Group has pledged its investment properties of HK$609,000,000 (2003: HK$509,000,000) as securities against bank loans granted to the Group.

In addition, 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 for the Group (note 25).

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company 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$7,500,000 (2003: HK$11,000,000). 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) 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. 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) The Company provided corporate guarantees to the extent of HK$270,000,000 (2003: HK$270,000,000) to banks to secure general banking facilities granted to certain subsidiaries. The total facilities utilised by the subsidiaries at 31st December, 2004 amounted to approximately HK$222,655,000 (2003: HK$254,531,000).

(iv) The Company provided corporate guarantee to the extent of HK$4,800,000 (2003: HK$2,600,000) to main contractors to secure the due performance of its subsidiaries in certain ALC panel projects.

34. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the commitment in respect of the acquisition of plant and equipment contracted for but not provided in the financial statements amounting to nil (2003: HK$216,000).

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

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due within one year, amounting to nil (2003: HK$440,000).

Leases are negotiated for terms of two years with fixed rentals over the terms of the leases.

The Group as lessor

At the balance sheet date, the Group had contracted for future minimum lease payments, which fall due within one year, amounting to HK$10,050,000 (2003: HK$10,050,000).

Leases are negotiated for terms of three years and can be terminated by surrendering three months' notice from the landlord or the tenant after the first year lease. Monthly rental are recognised over the terms of the leases.

Contingent rent income were calculated based on the excess of certain amount of turnover of the relevant operation that occupied the properties over the pre-determined monthly rentals agreed by both parties.

The Company did not have any operating lease commitment at the balance sheet date.

36. RETIREMENT BENEFITS SCHEMES

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

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the ORSO Scheme and MPF Scheme prior to vesting fully in the contributions, the market value of the unvested portion will be refunded to the Group.

The total cost charged to the consolidated income statement of HK$852,000 (2003: HK$733,000) represents contributions payable to the MPF Scheme, after forfeited contributions utilised in the ORSO Scheme and MPF Scheme of HK$225,000 (2003: HK$491,000), by the Group during the year.

37. RELATED PARTY TRANSACTIONS

During the year and at the balance sheet date, the Group entered into the following transactions with related parties:

	Notes	**2004** *HK$'000*	**2003** *HK$'000*
Purchases of goods from former fellow subsidiaries	*(a)*	–	3,364
Sales of goods to former fellow subsidiaries	*(a)*	–	561
Rent and infreight charges paid to a former fellow subsidiary	*(b)*	–	1
Office rent paid to a related company	*(c)*	684	285
Consultancy fee paid to ultimate holding company	*(c) and (e)*	–	900
Amount due to ultimate holding company	*(d)*	–	900

Notes:

(a) Purchases and sales of goods were carried out at cost plus a percentage profit mark up.

(b) Rent and infreight charges was charged at agreed price per ton.

(c) Office rent and consultancy fee were charged at terms agreed by the parties concerned.

(d) The amount was unsecured, interest-free and with no fixed repayment terms.

(e) The related company is beneficially held by Mr. To Shu Fai, a director of the Company.

In addition, on 15th May, 2003, the Group entered into an agreement with WGL to dispose of the entire interest in certain subsidiaries to WGL, for a cash consideration of approximately HK$100,500,000, which resulted at a loss on disposal of subsidiaries of approximately HK$8,318,000. The transaction was completed on 9th July, 2003. Details of the transaction had been included in the announcement and circular of the Company dated 23rd May, 2003 and 13th June, 2003 respectively.

38. POST BALANCE SHEET EVENT

Details of the post balance sheet event in respect of the Disposal have been set out in note 10.

II. INTERIM FINANCIAL STATEMENTS

The following are the condensed consolidated financial statements together with the relevant notes to the condensed financial statements followed by the management discussion and analysis extracted (with certain updates provided by the Directors) from the interim report of the Company for the six months ended 30 June 2005.

Condensed consolidated income statement

	Notes	Six months ended 30.6.2005 HK$'000 (unaudited)	Six months ended 30.6.2004 HK$'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

	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

		Six months ended	
		30.6.2005	**30.6.2004**
	Notes	*HK$'000*	*HK$'000*
		(unaudited)	(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:

Business combinations

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.

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.

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.

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	–

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)	**Adjustments**	**As at 31st December, 2004 (restated)**	**Adjustments**	**As at 1st January, 2005 (restated)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

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

For the six months ended 30th June, 2004

	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* (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.

5. TAXATION

	Six months ended 30.6.2005 *HK$'000*	Six months ended 30.6.2004 *HK$'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.

6. CONSOLIDATED REVENUE/EXPENSE FOR THE PERIOD

	Six months ended 30.6.2005 *HK$'000*	Six months ended 30.6.2004 *HK$'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

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.

10. INTEREST IN AN ASSOCIATE

	30.6.2005	31.12.2004
	HK$'000	*HK$'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	31.12.2004
	HK$'000	*HK$'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

12. TRADE AND OTHER PAYABLES

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

	30.6.2005	31.12.2004
	HK$'000	*HK$'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	31.12.2004
	HK$'000	*HK$'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 "PIB Disposal"). Details of the PIB Disposal are set out in the Circular of the Company dated 20th January, 2005.

At the special general meeting held on 7th February, 2005, an ordinary resolution proposed to approve the PIB 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 PIB 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 HK$'000	Six months ended 30.6.2004 HK$'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

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.

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.

III. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2002

Business review

2002 was a challenging year for the Group and most of the companies in Hong Kong.

The overall construction and property market in Hong Kong was gloomy. As a result of the change in public housing policy, public housing demand contracted significantly in 2002. There were only 16,844 public housing units tender in 2002, which dropped by 21% compared to year 2001. Private sector construction was not exception to the public housing sector. Several private construction projects were delayed affected by the low retail spending appetite. As indicated in the Government construction statistic, private sector construction volume dropped by 11% in 2002 as compared to 2001.

The Group had performed steadily albeit the contractions of the construction market in Hong Kong. The performance of each segment was discussed below.

Operation review

ALC products

Despite the poor economic outlook in Hong Kong, the quantity of ALC products delivered increased by 14% in the year under review as compared to last year. However, the profit margin squeezed by some 27% due to severe price competition. The Group had undertaken different cost cutting measures to retain its competitiveness in the market.

Cold drawn wire, welded wire mesh and expanded metal products

The sales of this business sector had been increased by 27% in this year as compared to last year albeit under severe price competition. The increase in sales was attributable to certain large-scale infrastructure projects commenced during the year. The profit margin of this business sector was still maintained at a reasonable level due to effective cost control.

Semi-precast concrete slab ("Superslab")

Superslab was well accepted by the market for its easy installation and precise dimension. However, it still could not contribute to the bottom line of the Group due to severe price competition from suppliers in the PRC. The Superslab, which used lattice girder had been successfully approved by Housing Authority as an alternative standard design for semiprecast concrete in future housing projects. The Group expected that Superslab has its competitive advantage to the similar products supplied by the PRC.

Liquidity and financial resources

As at 31st December, 2002, the Group's consolidated shareholders' equity was HK$176 million, representing 6% growth over last year. The Group continued its conservative policy in capital reservation in maintaining a low gearing ratio. As at 31st December, 2002, the Group's cash and non-secured bank deposits was HK$36 million whilst interest-bearing borrowings was HK$11 million.

The business operation was generally financed by the Group's internal fundings. Given the low lending rates in the domestic markets, the Group is increasing its utilization of cheap banking borrowings at its supply chain.

The Group's monetary assets were principally denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to the United States dollars, the Group believed its exposure to exchange risk was not material.

Capital structure

During the year, there was no change to the share capital of the Company.

As at 31st December, 2002, consolidated shareholders' equity reached HK$176 million and aggregated interestbearing borrowings was approximately HK$11 million. The Group's debt to equity ratio was approximately 6%.

Contingent liabilities

As at 31 December 2002, the Group had contingent liabilities in respect of certain employee injury claims of approximately HK$8 million and corporate guarantees issued to banks and financial institutions by the Company for banking facilities granted to certain subsidiaries to the extent of approximately HK$91.3 million. The extent of the facilities utilized by certain subsidiaries in respect to the corporate guarantees issued to banks and financial institutions by the Company was approximately HK$11.3 million.

Employment and remuneration policy

At the end of 2002, the total number of staff of the Group in Hong Kong was 175 (2001: 212). In addition to the set up of share options scheme, the Group also provided voluntary contribution to its Mandatory Provident Fund scheme for its employee and incentive scheme for its factory workers.

Occupational safety and health

Notwithstanding a tight budget, the Group had undertaken several policy and measures in maintaining a safety and health environment for its employee during the year so that the employee were not risk for any accidental injury and health issues.

Prospects

The Group believed the trend for Hong Kong construction market to proceed to the environmental friendly direction, however, the pace has yet to be reviewed. The Group's product lines – ALC products, Semi- Precast Concrete Slab, welded wire mesh, etc, perfectly matched with such requirements.

With the successful experience of several projects using our Superslab and ALC products in the private sectors, architects and developers now understand more about precast system. We envisage there will be more and more precast system demand in Hong Kong due to the tighten environmental restriction ahead.

Effective product pricing and cost control of each segment continued to be the target of the management under the current difficult market situation.

The management had explored different alternatives and diversification proposals to go forward and repositioning of the Group's business. As announced on 15th January, 2003, an investment in the cold storage warehouses at Kwai Chung was a solid one. Given the transportation logistic competitive niche of Hong Kong in the Pearl River Delta, we believed the investment will be fruitful, which will contribute a better return for the shareholders.

For the year ended 31 December 2003

2003 was a year presented with substantial difficulties and challenges. The Group's core business continued to face these barriers because of the SARS outbreak, structural changes in the property market, intense competition and reduced profit margins.

Under the leadership of our experienced management team and highly skilled work force coupled with our versatile strategic move, the Group recorded the following results:

Financial performance

During the year, the Group achieved a turnover of HK$152 million, representing a slight decline of 4% from the previous year. The performance was primarily abated by the steel & metal product business, which operation had been disposed in July 2003. Profit attributable to shareholders was HK$21 million, with earnings per share at HK0.6944 cents, both registering 28% increase from the preceding year.

The Group had a market capitalisation of around HK$306 million and remains a significant innovative building materials company.

Despite being a slow growth year in profitability, the Group had increased its cash generation capability through investing in cold storage business, which formed a steady source of rental income.

Operation performance

ALC products

As the Group's core competence, ALC constituted 50% of the Group's overall turnover. Amid intense competition from the PRC and decline in the volume of construction projects in Hong Kong, the Group accomplished a surge in the turnover of ALC by 21% as compared to 2002. This was attributable to the growth in private projects. The profit margin, however, had eroded by 25% as explained by ferocious rivalry causing cut back in prices.

Cold storage

In March 2003, the Group acquired two cold storage warehouses in Kwai Chung with a total area of approximately 674,000 square feet at a cost of HK$75 million. The investment generated a turnover of approximately HK$33.5 million, contributing to a net profit margin of 65% during the year under review.

Steel & metal products

After the acquisition of the Group by Top Synergy Associates Limited from the Company's former major shareholder, Golik Holdings Ltd. ("Golik"), Golik had taken over this part of the business. Prior to the disposal to Golik, there was a 22% decrease in total turnover of the steel and metal business on the ground of fierce price war.

Liquidity & financial resources

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation and bank loans.

As at 31st December, 2003, total borrowings of the Group amounted to HK$370 million, which included bank borrowings of HK$255 million and third party loans of HK$115 million. Of the total borrowings, 40% were repayable within one year and 60% repayable after one year. The Group's financing activities continued to be well received and fully supported by its bankers.

The Group had an increased gearing ratio at 110%, which was calculated as long term debts over shareholders' equity. This was largely due to further borrowings to finance for the cold storage investment. With the support of our bankers, the Group envisaged no difficulty to meet its financial obligations as and when they fall due for the foreseeable future.

The Group's monetary assets were principally denominated in Hong Kong dollars and United States dollars. The group believed that its exposure to exchange rate risk was not material due to the currency peg of Hong Kong dollars and United State dollars.

Contingent liabilities

As at 31 December 2003, the Group had contingent liabilities in respect of certain employee injury claims of approximately HK$11 million, improvement works to be carried out on the hillside adjacent to the investment properties under a Dangerous Hillside Order, corporate guarantees to the extent of HK$270 million issued to banks by the Company for banking facilities granted to certain subsidiaries and corporate guarantees to main contractors to the extent of HK$2.6 million. The extent of the facilities utilized by certain subsidiaries in respect to the corporate guarantees issued to banks by the Company was approximately HK$254.5 million.

Employment and remuneration policy

As at the end of 2003, the total number of employees of the Group was 130. (2002: 175). The Group provided an incentive package for employees including Provident Fund Scheme and various awards to encourage performance.

The Group recognised that our employees' safety and health is paramount to ensure high morale and productivity and a good corporate image. During the year, we had introduced a series of occupational safety training programmes and safety awards schemes to enhance employees' awareness on Occupational Health and Safety.

Prospect

The business environment for the Group remained challenging in 2003. The Group, however, was well-positioned to meet the barriers as demonstrated by our solid asset base, cash generation capability and operating profit.

Against the difficulties, we had been restless to seize every opportunity.

Heightened demands in the PRC property market and recovery of the Hong Kong economy had gathered our strength to expand our product line. We pursued a dual strategy of marketing new building material from external suppliers and building up our product range through mergers and acquisition going forward.

Positive rebound of the Hong Kong property market gave the Group ground to penetrate the private sector and forge ahead with increasing sales of building material in the local market.

Effort to diversify into the cold storage demonstrated the Group's versatility to respond to the soaring importance of Hong Kong as a logistic heart of the Pearl River Delta Region. The Group continued to make further move into this new business line through mergers and acquisition.

In light of these strategy the Directors believed the Group would deliver optimal performance and create high returns for its shareholders in the years ahead.

For the year ended 31 December 2004

Benefiting from the closer economic ties with the PRC, and a more favourable international investment atmosphere, Hong Kong's economy rebounded robustly. Unfortunately, the construction sector's performance was still lagging behind, hence businesses in building materials suffered a hard time. However, through the visionary decision of our experienced management team, the Group strategically disposed of two cold storage properties in early 2005. As at the Latest Practicable Date, the proceeds had been used to reduce the Group's liabilities, laying a healthier financial foundation for future business endeavours. The Group had achieved the following business results in the last year and identified areas with profit potential:

Financial performance

In 2004, the Group recorded a turnover of HK$109 million, a 28% decline compared with the previous year. This performance was primarily due to the unfavorable business atmosphere in the private and public construction sectors in Hong Kong. Net profit attributable to shareholders was HK$86 million, with earnings per share at HK2.88 cents, registering 315% increase from the preceding year. The surge was due to the reversal of impairment loss in respect of property, plant and equipment in 2004 of approximately HK$56 million and the loss on disposal of subsidiary companies in 2003 of approximately HK$9 million.

As the property market revived significantly last year, the Group seized the chance to dispose of two cold storage warehouses in Kwai Chung. The transaction was a conditional purchase and sale agreement, involving a consideration of HK$650 million and a lease arrangement of the two disposed properties as an integral part of the disposal. As at the Latest Practicable Date, the Group had contributed HK$15 million to the Repair and Maintenance Fund, and a further HK$10 million to the Business Enhancement Fund for the maintenance, promotion and marketing of the cold storage business operating at the properties. The Group believed after the first 3-years lease period, larger profit from the potential rental difference will occur.

Based on the audited consolidated financial information of the Group, our audited total bank and other borrowings of approximately HK$338 million had been repaid entirely by the proceeds from the disposal as at the Latest Practicable Date. The Group's financial situation has been greatly strengthened.

Operation performance

ALC products

The Group's flagship product, ALC, contributing over 50% of the company's turnover, faced a decline of 19% in sale last year. This was mainly affected by the sluggish housing policy of the Hong Kong government. Additionally, the construction quantity in the private market had also slackened. All these factors led to the reducing demand for building materials in recent years.

The Group emphasized its business efforts on both the public and private construction sectors. In the coming years, business potential will re-appear in the public sector as the Housing Authority planned to provide around 88,000 public housing units in the following five years starting from 2004-2005.

Cold storage

The Group had recorded significant rental returns from the two cold storage warehouse properties in Kwai Chung. The storage capacity of the two properties was almost rented out last year, contributing HK$41 million in turnover and 38% of net profit margin to the Group. The disposal of the two cold storage properties was completed in the financial year of 2005, while the memorandum of understanding was entered in November 2004.

Liquidity & financial resources

The Group's capital expenditure and investments were funded from cash on hand, internal cash generation and bank loans.

As at 31st December, 2004, total borrowings of the Group amounted to HK$338 million, which included bank borrowings of HK$223 million and third party loans of HK$115 million. Of the total borrowings, 45% were repayable within one year and 55% repayable after one year. The Group's financial activities continued to be sound and fully supported by its bankers.

The Group's gearing ratio was 48% as at 31st December, 2004. With the support of our bankers and third party loans, the Group envisages no difficulty in meeting its financial obligations as and when they fall due for the foreseeable future.

The Group's monetary assets were principally denominated in Hong Kong dollars and United States dollars. Due to the existing currency peg between the two currencies, the Group believed its exposure to exchange rate risk is minimal.

Contingent liabilities

As at 31 December 2004, the Group had contingent liabilities in respect of certain employee injury claims of approximately HK$7.5 million, improvement works to be carried out on the hillside adjacent to the investment properties under a Dangerous Hillside Order, corporate guarantees issued to banks by the Company to the extent of HK$270 million for general banking facilities granted to certain subsidiaries and corporate guarantees to main contractors to the extent of approximately HK$4.8 million. The extent of the facilities utilized by certain subsidiaries in respect to the corporate guarantees issued to banks by the Company was approximately HK$223 million.

Employment and remuneration policy

The total number of employees of the Group was 138 at the end of 2004. (2003: 130). In order to boost performance, the Group provided an incentive package for our employees, which includes Provident Fund Scheme and various awards.

Ensuring our employees' safety and health was our priority. This was the key to attaining high morale, quality and productivity. It had become our custom to launch occupational safety programmes and safety awards schemes regularly, as well as keeping and enhancing our employees' constant awareness of Occupational Health and Safety.

Product development

The Group was confident that the upturn of the economy will stimulate the sluggish construction market in the near future, and was well-prepared and positioned to gauge potential demand. Throughout the years, the Group had commenced its diversification into new product lines. These included fireproof panels and fireproof glass which could both meet the stringent requirements of the government regulations and our customers' needs.

In order to offer our clients quality choices of building materials, the Group planed to invest adequately in research and development. Our experienced and well-trained sales team had professional knowledge to introduce these excellent products to our customers. We believed the Group will have a better chance to secure more new projects in the coming years.

Prospects

Recently, the positive signals of the Hong Kong economy had strengthened business confidence substantially – economy blossomed, unemployment rate lowered, businesses making more profits. The property market had steadily picked up, reflected by the accelerating property prices in past months. The recovery of the property market in turn catalyse the construction market, creating a demand for quality building materials which the Group could readily supply.

As the Hong Kong government continues gearing its efforts to regional integration with the Pearl River Delta, closer economic ties with the regional cities of the PRC and Macau will foster immense market opportunities for the Group. The prospering tourism industry is pressing the region to provide new supporting facilities. Moreover, the wave of individual travelers from the PRC has also prompted investors into the property market of Hong Kong. Land and factory properties in industrial areas sold readily in recent months, waiting to be built or renovated into stylish hotels, shopping arcades or offices. These are golden opportunities for marketing the Group's high grade products.

Turning to Macau, according to its government officials, the city enjoyed 25% economic growth in 2004, and double-digit growth for three years. In the coming three to five years, the construction industry will reach its peak. It is estimated that the numerous construction contracts will amount to 70 billion Macau dollars. The Group will be vigilant towards these enormous market opportunities.

Pursuing business projects with sizable revenue will remain the Group's priority. Centred in the logistics hub of the Pearl River Delta region, logistics ventures like cold storage warehouses have been a successful formula for the Group. Further mergers and acquisitions will proceed when mature.

As the Hong Kong economy regains vitality, the Group will respond with dynamic strategies to embrace challenges and opportunities in the coming years. Creating optimal returns is our commitment to all our shareholders.

For the six months ended 30 June 2005

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.

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 properties were 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 had leased back the cold storage properties for a period of 14 years from the purchasers. The Group contributed HK$15,000,000 by way of the repair and maintenance fund to implement any repair, maintenance and improvement on the cold storages; and contributed HK$10,000,000 through the business enhancement fund for promoting and marketing of the cold storage business operated at the cold storage 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.

Contingent liabilities

As at 30 June 2005, the Group has contingent liabilities in respect of certain employee injury claims, improvement works to be carried out on the hillside adjacent to the investment properties under a Dangerous Hillside Order and deed of indemnity in respect of taxation in a total sum of approximately HK$9 million.

Employment and remuneration policy

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

Future prospects

The property market had rebounded and both the private and public sectors were seeing a strong spate of growth. The Directors were confidently expecting the performance of the Group's ALC products to turn around as the building surge takes effect in 2006. In the public sector, the HKSAR government had 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, the Directors foresaw construction projects like hotels and A-class office buildings to increase with a prospering property market. Although competitors have been still pricing their goods at 'survival' prices which create tremendous competition, the Directors expect pressure on prices to ease as demand rises. The Directors will be actively securing new orders for 2006, and shall look into the possibility of tapping the Macau construction market at the same time.

Meanwhile the Directors had reviewed the Company's success in the cold storage properties investment i.e. the cold storage properties in Kwai Chung 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. The Company's plan is to provide one-stop logistic services between Hong Kong and the PRC.

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

The disposal of the cold storage properties had strengthened the Group's financial position. The Company was well equipped to actively pursue these plans.

Save as disclosed above, the Group has no significant investments.

IV. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 January 2006, the net asset value of the Group amounted to approximately HK$357 million, the total cash and bank balances of the Group amounted to approximately HK$151 million and total borrowings of the Group amounted to approximately HK$0.5 million.

The gearing ratio, calculated as total borrowings over shareholders' equity amounted to approximately 0.14%. The total borrowings are denominated in Hong Kong dollars, secured by a fixed asset, bear interest at flat rate of 2.5% per annum and repayable within four years.

The monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars and United States dollars. The Directors consider that the Group's exposure to the exchange rate risk is not material due to the currency peg of Hong Kong dollars with United States dollars.

V. EMPLOYEE AND REMUNERATION POLICIES

As at 31 January 2006, the Group has 307 employees, all located in Hong Kong. The Group provides an incentive package for employees including Provident Fund Scheme and various awards to encourage performance.

VI. PROSPECTS

The principal activities of the Group prior to the Disposal are the manufacture, sales and installation of ALC blocks and panels and property investment and the provision of cold storage service, the manufacturing and trading of ice in Hong Kong and the provision of logistics services. The Group started its manufacture, sales and installation of ALC products business since 1991 and is one of the main source of revenue of the Group prior to the Disposal. The Group started its business of provision of cold storage service, the manufacturing and trading of ice in Hong Kong and the provision of logistics services since the acquisition of all the issued share capital of Best Merchant Limited in January 2006. Prior to the acquisition of all the issued share capital of Best Merchant Limited, the Group does not have any management experience in the provision of cold storage related services and logistics services.

The Group disposed of its cold storage properties in Kwai Chung, Hong Kong, being the investment properties of the Group and the completion of such disposal took place in February 2005. The proceed of approximately HK$650 million from the disposal were mainly used to repay the Group's banking borrowings of approximately HK$233.5 million and other loans of approximately HK$146.6 million, which therefore has strengthened its financial position. After the disposal of the cold storage properties, the Group had leased back the properties for a period of 14 years from the purchasers.

In view of the regional integration and the economic ties between the Pearl River Delta cities of the Mainland China, Macau and Hong Kong become closer, traffic, logistics and cold storage warehousing facilities are expected to grow. The Group acquired Best Merchant Limited in January 2006, a company incorporated in the British Virgin Islands, which has principally been engaged in the provision of cold storage service and logistics service in Hong Kong for more than four years. After the acquisition of Best Merchant Limited, the Group is also considering to expand its logistics arms by increasing the number of trucks and redeploying its packaging centre and will exploit the opportunity to participate in the cold storage and logistics business in the PRC and Macau.

As at the Latest Practicable Date, there was no specific investment project identified.

VII. STATEMENT OF INDEBTEDNESS FOR THE GROUP

Borrowings

As at 31 January 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding secured borrowing of approximately HK$0.5 million.

Security

As at 31 January 2006, banking facilities to the extent of approximately HK$3.6 million of the Group were secured by the fixed and floating assets of a member of the Group. The carrying value of these assets pledged was HK$61.6 million as at 31 January 2006.

As at 31 January 2006, finance lease to the extent of approximately HK$0.5 million was secured by fixed assets with a carrying value of HK$0.5 million.

Contingent Liabilities

As at 31 January 2006, the Group had the following contingent liabilities:

(a) At 27 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 investments 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 was made to a contractor for a sum of HK$856,262 on 7 November 2005. The total cost for the work is estimated to be approximately HK$1,500,000.

(b) As at 15 February 2005, a deed of indemnity in the amount of approximately HK$5 million in respect of taxation was entered into among one of the subsidiaries and Best Goal International Limited, Double Worth Profit Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited which were indirectly wholly-owned subsidiaries of the Company and disposed of by the Company in early 2005 regarding the potential tax claims by tax authority to Best Goal International Limited, Double Worth Profit Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited. 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 of the Group;

(c) The Company provided corporate guarantees to the extent of approximately HK$4.8 million to main contractors to secure the due performance of its subsidiaries in certain ALC panel projects. The Purchaser has undertaken to procure the corporate guarantees to be released after Completion and also to indemnify and keep the Company indemnified in full against all losses, damages, claims etc. suffered or incurred by the Company in connection with or arising from the corporate guarantees; and

(d) A member of the Group had issued letters of indemnity to a bank for guarantees granted. The extent of the indemnity is approximately HK$3.6 million.

Disclaimer

Save as aforesaid and apart from intra-Group liabilities, the Group did not, at the close of business on 31 January 2006 have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills and payables), acceptance credits or any guarantees or other contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 January 2006.

VIII. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's internal resources and the banking facilities currently available to the Group, the Group has sufficient working capital for its present requirements.

IX. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date to which the latest published audited financial statements of Group were made up.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2005 of the property interest of the Group.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
Lincense No.: C-015672

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22 March 2006

The Board of Directors
Daido Group Limited
Unit No. 1906, 19/F
West Tower, Shun Tak Centre
Nos. 168-200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: No. 50 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong

In accordance with your instructions to value the captioned property in which Daido Group Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interest, we confirm that we have carried out an inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property interest as at 31st December 2005 (the "date of valuation").

Basis of Valuation

Our valuation of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

By virtue of the Agreement of Lease and the Lease (collectively referred to the "Lease") both entered into between The Hong Kong Science and Technology Parks Corporation (formerly known as The Hong Kong Industrial Estates Corporation) (the "lessor") and Daido Building Materials Limited (the "lessee"), the subject lot of the property namely Subsection 4 of Section D of Yuen Long Town Lot No. 313 and Extensions Thereto was leased by the lessee from the lessor for a lease term commencing on 30th January 1991 and expiring on 27th June 2047. During the said lease term, the property is restricted for the use of manufacture of autoclaved aerated concrete. As stipulated in the Lease, in the event that the lessee is desirous to assign his leasehold interest in the subject lot (together with land improvement erect thereon) during the lease term, the lessee should first offer to the lessor for the surrender of the Lease free from encumbrances and with vacant possession of the premises at one of the following two considerations payable by the lessor whichever shall be the lesser:

(i) 80% of the discounted land premium (the notional premium paid by the lessee on the commencement of the lease term) for the unexpired term of the Lease plus the depreciated replacement costs of the buildings and structures erected thereon at the rate of depreciation of 5% per annum from the date of the occupation permit for the first building completed on the subject lot; the total of which reduced by ten percent (the "Surrender Value A"); or

(ii) The market value of the land and the buildings and structures erected thereon as at the date of the lessor's acceptance of the surrender reduced by 10% (the "Surrender Value B").

The lessee can then dispose of the whole property interest (but not to a part thereof) on the market by way of assignment of the leasehold interest in the subject lot (together with land improvement erected thereon) only if the aforesaid first offer is rejected by the lessor.

Our opinion of Surrender Value A and Surrender Value B of the property interest were arrived at having regard to the aforesaid lease conditions.

Valuation Methodology

In assessing the market value, the direct comparison has been employed in the valuation of the property interest by assuming sale of the property interest in its existing state with the benefit of immediate vacant possession and by making reference to comparable sale transactions as available in Hong Kong. This approach rest on the wide acceptance of market price as the best indicator of value and pre-supposes that evidence of recent transactions in the market place can be extrapolated to similar properties, subject to allowance for variable factors.

Our valuation of the market value has been made on the assumption that the property is to be transferred under normal commercial terms without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

In assessing the replacement cost of the property, we have taken into account the nature and scale of the buildings and structures of the property and have made reference to the tender construction price as prevailing on the valuation date. Depreciated replacement cost of the property is then arrived at by deducting the accumulated depreciation over the period from the date of the first occupation permit of the property to the valuation date at a depreciation rate of 5% per annum.

Limiting Conditions

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Surveyors and effective from May 2003; and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors effective from 1 January 2005.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of the title documents and Agreement of Lease relating to the property interest and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify ownership or to ascertain any amendment.

We have not carried out detailed site measurements to verify the correctness of the site area and floor area in respect of the property but have assumed that the areas shown on the documents and official site plan handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought and received confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

All monetary sums stated in this report are in Hong Kong Dollars.

The valuation certificate is attached herewith.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

Tse Wai Leung, is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyor, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 14 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31st December 2005 *HK$*
No. 50 Wang Yee Street Yuen Long Industrial Estate Yuen Long New Territories Hong Kong Sub-section 4 of Section D of Yuen Long Town Lot No. 313	The property comprises a parcel of land with a site area of approximately 25,000 sq.m. on which are erected 2 major buildings (ancillary office and main plant) and various ancillary structures completed in various stages in the 1990s. The buildings have a total gross floor area of approximately 9,521.84 sq.m. The structures mainly include covered yards, aggregate storage and car parking facilities. The property is held under an Agreement of Lease for a term commencing from 30 January 1991 and expiring on 27 June 2047 for the use as stated below (see Note 1). The Government Rent payable per annum for the property is equal to 3% of the rateable value for the time being of the property.	The property is currently occupied by the Group for production, warehouse and ancillary office purposes.	39,000,000 **Surrender Value A as at 31st December 2005** 46,000,000 (see note 8(i) below) **Surrender Value B as at 31st December 2005** 35,100,000 (see note 8(ii) below)

Notes:

1. The subject lot namely Subsection 4 of Section D of Yuen Long Town Lot No. 313 and Extensions Thereto was leased by Daido Building Materials Limited, a wholly-owned subsidiary of the Company from The Hong Kong Science and Technology Parks Corporation (formerly known as The Hong Kong Industrial Estates Corporation) for a term commencing on 30th January 1991 and expiring on 27 June 2047.

2. According to the Lease of the subject lot, the permitted use of the property is restricted to "the manufacture of autoclaved aerated concrete using the YTONG production processes.

3. As stipulated in the Lease, the subject lot has a maximum plot ratio of 2.5 and minimum site coverage of 20%.

4. As confirmed by the Company, the first occupation permit for the subject building was issued in 1993. As per our site inspection, the property is in fair condition and reasonably commensurate with its age. Main public utility services such as sanitary fittings, electricity and water supply, as well as telephone connection are readily available.

5. The main plant is of reinforced concrete construction with stanchions supporting and pitched roof, mainly designed for production purposes. Mezzanine floor is constructed in two locations within the plant. The total gross floor area of the main plant is approximately 7,719.47 sq.m.

6. The ancillary office is of reinforced concrete construction with concrete roof and floors, and finished with suspended ceiling and lighting. The office block has a gross floor area of approximately 652.15 sq.m.

7. The property also provides a container parking space, 28 lorry parking spaces and 28 private parking spaces on the unbuilt land portion within the subject lot.

8. As per the Lease of the subject lot, the lessee must first offer to surrender the Lease to the Hong Kong Science and Technology Parks Corporation (the "Lessor") at a prescribed surrender value if he intends to assign the Lease during the lease term. The lessee is eligible to assign the premises to any third party if the Lessor rejected such offer. The amount of surrender value payable by the Lessor for accepting the offer is the lesser of the following two computations:

   (i) Surrender Value A: The discounted land premium plus the depreciated replacement costs of the buildings and structures erected thereon reduced by 10%. The discounted land premium is based on 80% of the notional premium paid by the lessee on the commencement of the lease term, times the fraction of unexpired years to the total number of years of the lease term; the amount of the buildings and structures would be their replacement costs less accumulated depreciation at a rate of 5% per annum from the date of the occupation permit for the first building;

   (ii) Surrender Value B: The market value of the land and the buildings and structures erected thereon as at the date of the Lessor's acceptance of the surrender reduced by 10%.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from RHL Appraisal Ltd., an independent valuer, in connection with its valuation as at 31st December 2005 of the Machinery and Equipment of the Disposal Group.

永利行評值顧問有限公司 | RHL Appraisal Ltd
Surveying Practices – Corporate Valuation and Property Consultancy
Lincense No.: C-015672

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22 March 2006

The Directors
Daido Group Limited
Unit No. 1906, 19/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

Re: Valuation of Machinery and Equipment of Daido Building Materials Limited located at 50 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, Hong Kong

1. INSTRUCTIONS

In accordance with the instructions from **Daido Group Limited** (the "Group"), we have assessed the fair market value of machinery and equipment (the "Equipment") of **Daido Building Materials Limited** (the "Company") in the premise of continued use as at **31st December 2005** (the "valuation date").

We confirm that we have undertaken inspection of the Equipment, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair market values of the Equipment.

We have excluded from this investigation land and buildings, spare parts, supplies, materials on hand, inventories and any current or intangible assets that might exist.

The Equipment valued comprises a production line for manufacturing aerated concrete which includes Ball mill, Sand silo, Fresh slurry tanks, Lime Dosing silo, Cranes, Material transport systems, Water treatment plant, Air compressors, Cooling systems and other ancillary equipment.

2. BASIS OF VALUATION

The Equipment has been valued on the basis of fair market value on the premise of continued use.

Fair market value is defined as the estimated amount at which the assets might be expected to exchange between a willing buyer and a willing seller with equity to both, neither being under any compulsion, each having reasonable knowledge of all relevant facts.

When fair market value is established on the premise of continued use, it is assumed that the buyer and the seller would be contemplating retention of the assets at their present location as part of the current operations. An estimate of fair market value arrived at on the premise of continued use does not represent the amount that might be realized from piecemeal disposition of the assets in the marketplace or from an alternative use of the assets. The premise of continued use is generally appropriate when:

– the assets are fulfilling an economic demand for the service they provide;

– the assets have a significant remaining useful life expectancy;

– there is responsible ownership and competent management;

– diversion of the assets to an alternative use would not be economically feasible or legally permitted;

– continuation of the existing use by present or similar users is practical;

– due consideration is given to the assets' functional utility for their present use; and

– due consideration is given to the assets' economic utility.

3. VALUATION METHODOLOGY

We have considered two generally accepted approaches namely cost approach and market approach to value the Equipment. The theory of these approaches is outlined as follows:

Cost Approach

This approach is based on the proposition that an informed purchaser would pay no more for the Equipment than the cost of producing the similar substitution, with the same utility as the subject Equipment. Consideration will be given for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic factors. This approach generally furnishes the most reliable indication of value for the Equipment without a known used market.

Market Approach

The market approach considers prices recently paid for similar equipment, with adjustments made to the indicated market prices to reflect condition and utility of the appraised equipment, relative to the market comparative. Equipment for which there is an established used market may be appraised by this approach.

In view of the nature of the Equipment, we have mainly relied on the Cost Approach in reaching our opinion of value.

4. INVESTIGATION AND ASSUMPTIONS

Before arriving at our opinion of value, we have personally conducted site inspected at the premises of the Company in Hong Kong on 10th February 2006, and studied market conditions and considered the following factors:

– the extent, character and utility of the Equipment;

– the estimated cost to acquire new, or construct, or acquire used (if comparable equipment was available) Equipment, plus the cost to erect or install as an integrated entity, assuming exclusion of import tax;

– the cost of new equipment, with deductions for depreciation, or for loss of value arising from condition, utility, age, wear and tear and obsolescence;

– the cost of comparable used equipment, with a positive or a negative adjustment to the market price to reflect the difference in condition and utility between the item under valuation and its normal comparative; and

– dealer's prices for equipment in operative condition, with allowance for freight, installation, commissioning and technical support.

At the time of our inspection, some of the inspected Equipment was in full operation while others were in idle mode. In the absence of any testing and investigating the physical well being of the Equipment, we have assumed that the idle Equipment and those items of the Equipment not physically inspected by us are capable of performing efficiently the purpose for which it was designed and built during the course of our valuation.

In the course of our investigation, we have accepted the records furnished by the Company as properly describing the assets to be valued, their locations and their acquisition dates. We visited the locations to verify the existence of the assets and to gather information relating to the conditions and utility of these assets. The balance of the information provided by the client, after adjustments based on our observation, although not subject to a detailed verification, was accepted as reasonably representing the facts.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the valued equipment from equipment of like kind in new condition were noted and made part of our judgment in arriving at the value.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets are used. It was assumed that prospective earnings would provide a reasonable return on the fair market value of the assets plus the value of any assets not included in the valuation, and adequate net working capital. If prospective earnings are not adequate to justify ownership of the assets at the valuation level, then the concluded fair market value as reported here must be reduced accordingly.

5. LIMITING CONDITIONS

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against the Equipment valued. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, the property rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others which have been used in formulating this analysis.

We have made physical inspections of some of the Equipment at the premises of the Company. This inspection was made by individuals generally familiar with machinery and industrial operations. However, these individuals are not mechanical or industrial engineers who would have detailed knowledge of machinery design and performance assessment. Accordingly, we do not opine on, nor are we responsible for, the integrity or performance the machinery including its conformity to specific governmental code requirements or any physical defects which were not readily apparent to the appraisers during their inspection.

We have totally disregarded such items which, in our opinion, have no practical take-up value or are normally charged as operating expense.

We do not investigate any industrial safety and health related regulations in association with this particular manufacturing process. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise state, it is assumed that the Equipment is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

6. OPINION OF VALUE

Based on the investigation described, it is our opinion that as at the valuation date the fair market value of the Equipment on the premise of continued use is reasonable represented by the amounts of **HK$13,000,000.00.– (HONG KONG DOLLARS THIRTEEN MILLION ONLY)**.

7. REMARKS

We have not investigated the title to or any liabilities against the Equipment.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.
Tse Wai Leung
MFin BSc MRICS MHKIS RPS(GP)
Director

1. RESPONSIBILITY STATEMENTS

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Directors' interests in the Company

Long positions:

Name of Director	Capacity	Total interest	Percentage of total issued share capital
Mr. To Shu Fai *(Note)*	Held by controlled corporations	2,023,231,329 Shares	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 Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares. Mr. To Shu Fai and Mr. Tang Tsz Man, Philip, the executive Directors, are also the directors of Top Synergy.

Directors' interest in the Company's associated corporations

Long positions:

Name of Director	Name of associated corporation	Total interest	Percentage of total issued share capital
Mr. To Shu Fai	VHL	1 share	100%
Mr. To Shu Fai	Top Synergy	1 share	50%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the Directors or chief executives of the Company, the following parties (other than a Director or chief executive of the Company), had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long positions:

Name of Shareholder	Number of Shares held	Percentage of total issued share capital
Top Synergy Associates Limited *(Note 1)*	2,023,231,329	67.44%
Vision Harvest Limited *(Note 1)*	2,023,231,329	67.44%
Ever Achieve Enterprises Limited *(Note 1)*	2,023,231,329	67.44%
Mr. Chung Chiu Pui *(Note 1)*	2,023,231,329	67.44%
Ms. Foo Hang Luen, Monita *(Note 1)*	2,023,231,329	67.44%
Ms. Lee Yun *(Note 1)*	2,023,231,329	67.44%
Mr. Yuen Kin Wing *(Note 1)*	2,023,231,329	67.44%
Ms. Hui Yin Man *(Note 2)*	2,023,231,329	67.44%
Ms. Chan Yee Wan *(Note 3)*	2,023,231,329	67.44%
Mr. Kwok Yuk Hei *(Note 4)*	2,023,231,329	67.44%
Mr. Jiu Ziang Hwa *(Note 5)*	2,023,231,329	67.44%
Ms. Tsang Yun Kiu *(Note 6)*	2,023,231,329	67.44%

Note 1: 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 Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.

Note 2: Ms. Hui Yin Man is the spouse of Mr. To Shu Fai, being the sole shareholder of VHL and the executive Director. Accordingly, Ms. Hui Yin Man has a family interest in 2,023,231,329 Shares.

Note 3: Ms. Chan Yee Wan is the spouse of Mr. Chung Chiu Pui, being one of the shareholders of EAEL. Accordingly, Ms. Chan Yee Wan has a family interest in 2,023,231,329 Shares.

Note 4: Mr. Kwok Yuk Hei is the spouse of Ms. Foo Hang Luen, Monita, being one of the shareholders of EAEL. Accordingly, Mr. Kwok Yuk Hei has a family interest in 2,023,231,329 Shares.

Note 5: Mr. Jiu Ziang Hwa is the spouse of Ms. Lee Yun, being one of the shareholders of EAEL. Accordingly, Mr. Jiu Ziang Hwa has a family interest in 2,023,231,329 Shares.

Note 6: Ms. Tsang Yun Kiu is the spouse of Mr. Yuen Kin Wing, being one of the shareholders of EAEL. Accordingly, Ms. Tsang Yun Kiu has a family interest in 2,023,231,329 Shares.

Save as disclosed above, the Directors or chief executives of the Company are not aware of any person (other than a Director or chief executive of the Company), who, as at the Latest Practicable Date, had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who is expected, directly or indirectly, to be interested in 10% or more of the norminal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. MATERIAL CONTRACTS

Save as disclosed below, there are no contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by the member of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be material:

(a) the subscription agreement dated 21 May 2004 entered into between (i) the Company; and (ii) iNeTalk.com Limited, a company jointly-owned by City 2000 Limited, an Independent Third Party, and Century Garden Holdings Limited, a company 85% owned by Mr. Fung Wa Ko, a Director, in relation to the subscription of 16% interest in iNeTalk.com Limited at a consideration of HK$2,000,000. Details of this transaction are disclosed in the announcement of the Company dated 21 May 2004;

(b) the sale and purchase agreement dated 13 December 2004 entered into between Lubrano Properties Limited as vendor, an indirect wholly owned subsidiary of the Company, two private funds managed by LaSalle Investment Management Asia Pty. Ltd., as the purchasers and the Company, for a consideration of HK$650 million in respect of the disposal of certain cold storage properties;

(c) the leasing agreements dated 15 February 2005 at an initial rental of approximately HK$4.7 million per month for the first 3 years entered into between Diamond Sparkling Limited, a wholly-owned subsidiary of the Company and Brilliant Gain Investments Limited and Ultimate Profits Limited, two former subsidiaries of the Company and sub-leasing agreements dated 15 February 2005 at an initial rental of approximately HK$3.4 million per month up to 30 November 2005, and thereafter at approximately HK$4.7 million per month up to 14 February 2008 entered into between Diamond Sparkling Limited and Brilliant Cold Storage Management Limited in relation to leasing and sub-leasing of certain properties disposed of by the Group in early 2005, details of which can be referred to the circular of the Company dated 20 January 2005;

(d) the conditional sale and purchase agreement dated 17 October 2005 entered into among Choice Master Investments Limited ("Choice Master"), an independent third party, Newton Luck Limited, a wholly owned subsidiary of the Company and Mr. Yeung Ming Kwong, Tony, the sole and beneficial shareholder and director of Choice Master in respect of the acquisition of all the issued share capital of Best Merchant Limited by Newton Luck Limited at a consideration of HK$56 million;

(e) the memorandum of agreement dated 31 October 2005 pursuant to which Diamond Sparkling Limited, a wholly-owned subsidiary of the Company, has agreed to purchase and GE Capital (Hong Kong) Limited, has agreed to sell the properties situated at coffee shop, unit no. 80A, unit no. 80, unit no. 81 and unit no. 93 on the basement floor of Hunghom Commercial Centre, nos. 37-39 Ma Tau Wai Road, Kowloon, Hong Kong for a consideration of HK$16.1 million; and

(f) the Disposal Agreement.

5. MATERIAL LITIGATION

At the Latest Practicable Date, the Group was engaged in the following litigation:

By a magistrate's summons dated 1 March 2006, the Company was charged by the SFC with the offence under the SFO and such charge relates to a copy of the announcement dated 16 October 2003 being provided by the Company to the Stock Exchange, which contained allegedly false or misleading information and the Company allegedly knowing or being reckless as to whether the information was false or misleading.

Save for the above, no members of the Group was engaged in any litigation or arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened by any member of the Group.

At the Latest Practicable Date, Mr. To Shu Fai, the executive Director was engaged in the following litigations in relation to the SFO:

(a) By a magistrate's summons dated 1 March 2006, Mr. To Shu Fai was charged by the SFC with the offence under the SF0 and such charge relates to Mr. To as a director of the Company on or about 16 October 2003 allegedly consenting to or conniving at the alleged commission of such offence by the Company as mentioned above or the alleged commission of such offence by the Company as mentioned above being attributable to alleged recklessness of Mr. To Shu Fai;

(b) By two magistrate's summons both dated 1 March 2006, Mr. To Shu Fai was charged by the SFC with the offences under the SF0 and such charges relate to the alleged non-compliance with the requirements for notification of cessation of interest in 200 million Shares by Mr. To Shu Fai as Director to the Stock Exchange and the Company, respectively as laid down under the SF0; and

(c) By four magistrate's summons all dated 1 March 2006, Mr. To Shu Fai was charged by the SFC with the offences under the SF0 and such charges relate to Mr. To as a director of Top Synergy and Vision Harvest Limited ("VHL") respectively allegedly consenting to or conniving at the alleged commission of such offences by Top Synergy and VHL, respectively in respect of the alleged non-compliance with the requirements for notification of cessation of interest in 200 million Shares by Top Synergy to the Stock Exchange and the Company, respectively and also by VHL to the Stock Exchange and the Company respectively as laid down under the SF0 or the alleged commission of such offences by Top Synergy and also by VHL, respectively being attributable to alleged recklessness of Mr. To Shu Fai.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS AND COMPETING BUSINESS

Except for part of the office premises situated at 24th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, licensed the Group to use until November 2005 by a related company beneficially held by Mr. To Shu Fai, an executive Director, none of the Directors or their associates had any direct or indirect interest in any assets which have been, since 31 December 2004 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or their associates was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the business of the Group.

None of the Directors and their associates had interests in a business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

8. EXPERTS AND CONSENTS

(a) The following is the qualification of the experts who have given an opinion or advice, which is contained or referred to in this circular:

Name	Qualification
RHL Appraisal Limited	Professional Property Valuer

(b) RHL Appraisal Limited does not have any shareholding, directly or indirectly, in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.

(d) RHL Appraisal Limited does not have any direct or indirect interest in any assets which have been, since 31 December 2004 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(a) The company secretary and qualified accountant of the Company is Mr. Choy Kai Sing, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

(b) The Company's branch share registrar and transfer office is Union Registrars Limited at 311-312 Two Exchange Square, Central, Hong Kong.

(c) The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(d) The registered office of RHL Appraisal Limited is Room 1010, Star House, Tsimshatsui, Hong Kong.

(e) The English text of this circular and form of proxy shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong up to and including 6 April 2006:

(a) the memorandum of association and Bye-laws of the Company;

(b) the annual reports of the Company for the financial year ended 31 December 2003 and 31 December 2004;

(c) the interim report of the Company for the six months ended 30 June 2005;

(d) the valuation report and valuation certificate, which contain details of aggregate valuation of respective underlying assets, prepared by RHL Appraisal Limited, the text of which are set out in Appendix II to this circular;

(e) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(f) the consent letter of RHL Appraisal Limited referred to under the section headed "Experts and consents" in this Appendix;

(g) the circular issued by the Company dated 22 November 2005 in relation to a discloseable transaction for the Company; and

(h) the circular issued by the Company dated 23 December 2005 in relation to a very substantial acquisition for the Company.