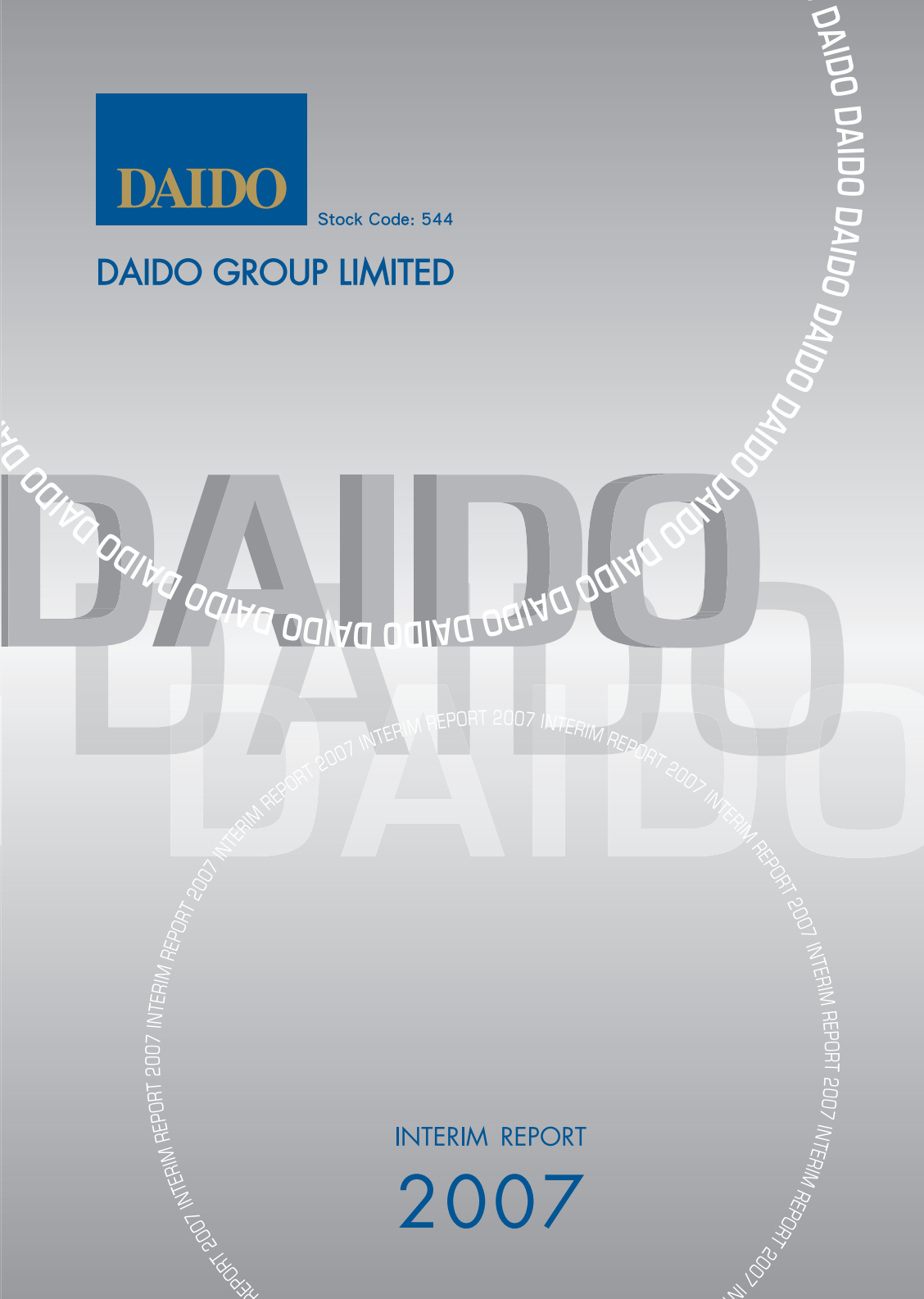




Stock Code: 544

DAIDO GROUP LIMITED



INTERIM REPORT

2007

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Wa Ko (*Chairman*)

Mr. Tang Tsz Man, Philip

Independent Non-Executive Directors

Mr. Leung Chi Hung

Mr. Leung, Tsz Fung David Ferreira

Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung (*Chairman*)

Mr. Leung, Tsz Fung David Ferreira

Mr. Tse Yuen Ming

Remuneration Committee

Mr. Leung, Tsz Fung David Ferreira
(*Chairman*)

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming (*Chairman*)

Mr. Leung Chi Hung

Mr. Leung, Tsz Fung David Ferreira

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

0544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm

www.daidohk.com

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor

West Tower, Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Hongkong and Shanghai

Banking Corporation Limited

Nanyang Commercial Bank, Limited

Standard Chartered Bank

(Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Room 1803

Fook Lee Commercial Centre

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

Currently, the Group continues to run three business divisions, which are (i) Cold Storage and Logistics Services, (ii) Manufacturing & Trading of Ice and (iii) Properties Investment. For the six months ended 30th June, 2007, turnover of the Group amounted to approximately HK\$70 million (2006: HK\$77 million), representing a decrease of 9.7% over the same period last year. Net loss attributable to shareholders amounted to approximately HK\$17.7 million, as compared to approximately HK\$0.6 million net profit in the same period last year. Basic loss per share was HK0.50 cents (2006: earning per share: HK0.02 cents). The loss was mainly attributable to impairment loss on goodwill and impairment loss on available-for-sale investments total HK\$14.8 million.

BUSINESS REVIEW

Cold Storage and Logistics Services

The Group is one of the cold storage operators in Hong Kong operating two whole blocks of warehouses, located strategically near the Kwai Chung container terminals.

According to the Census and Statistics Department, imports of food and live animals in the first quarter of 2007 increased by 4% compared to last quarter and increased by 17% compared to first quarter of 2006. Albeit a slightly decrease in imports of beverages and tobacco in the first quarter of 2007, it still recorded an increase of 12% compared to first quarter of 2006. Benefiting from such favourable environments, demand in cold storage and logistic services also increases. Nevertheless, the Group's core business faces a challenging environment as one new competitor located at Kowloon Bay has emerged. Due to the keen market competition during the period, turnover of this line of business declined 5% and recorded a loss for the first time.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (CONTINUED)

Cold Storage and Logistics Services (continued)

In order to enhance the Group's competitiveness, we would focus on the control over costs effectively, and also we would concentrate on product delivery and customer service leading to uplift customer loyalty. Moreover, as the Hong Kong economy improves, consumption demand is also increasing continuously and that will benefit our cold storage warehousing and logistics services business. Anticipating continuous growth in demand for our core business, the management expects a higher performance of this segment in the second half year.

Manufacturing and Trading of Ice

To manufacture of high quality ice cubes and ice bars in Hong Kong is the other core business of the Group. Ice bars are mainly applied in construction industry while that of ice cubes is for use in food and beverages trades.

During the period under review, this division still generated a stable return, even though sale of its ice bars has shrunk due to construction industry was inactive and also under an intensified competition in ice cubes market.

The property market in Hong Kong is expected to be stabilized with steady growth in coming years, and thus the demand of our ice bar products will increase and will constitute an acceptable profit to the Group in the future.

Property Investment

The Group's only property investment, the commercial property in Hunghom Commercial Centre, remains vacant.

BUSINESS REVIEW (CONTINUED)

Property Investment (continued)

According to the Hong Kong Property Review 2007 released by Hong Kong Rating and Valuation Department, the rents of retail premises in 2006 increased by 4% in general and few completions of that kind of properties are expected in the following two years. Besides, the Government invited the two railway corporations to submit the proposal of Shatin to Central Link, which comprises new stations at Hunghom and Ma Tau Wai, and the planning study for Hunghom district was commenced in December 2006 by Planning Department. If such plans were materialized, the property in the surrounding area will definitely benefit.

Property Investment outside Hong Kong

For the six months ended 30th June, 2007, this investment project was still in a preliminary investment stage and had yet to have any profit contribution. Affecting by the weaker performance of the spa business and unsatisfactory occupancy and room rates of the hotel, the overall results of Grand Waldo Hotel was far below expectation.

Anticipating continuous growth strongly in Macau tourism industry and the grand opening of Venetian Macao-Resort-Hotel in late August 2007, we expect visitors to Cotai area will increase and the impact to Grand Waldo Hotel will be closely monitored. Furthermore, Grand Waldo Hotel will continue launching various promotional activities with the aim of attracting more visitors. Our management is still optimistic in this investment.

PLEDGE OF ASSETS

As at 30th June, 2007, banking facilities to the extent of approximately HK\$3.3 million (31st December, 2006: HK\$3.3 million) of the Group were secured by all assets of a wholly-owned subsidiary of the Company with aggregate carrying amount of the total assets amounting to approximately HK\$62.2 million as at 30th June, 2007 (31st December, 2006: HK\$64 million).

PLEDGE OF ASSETS (CONTINUED)

As at 30th June, 2007, fixed deposits of approximately HK\$56.9 million (31st December, 2006: HK\$56.9 million) were pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2007, the Group had cash and bank balances of approximately HK\$139 million (31st December, 2006: HK\$41 million). The gearing ratio, measured as non-current borrowings over shareholder's equity, was 21% as at 30th June, 2007 (31st December, 2006: 40%), the decrease was attributable to the conversion of convertible bonds into new ordinary shares of the Company.

With regard to foreign currency exposure, the monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider that the Group's exposure to the exchange rate risk is not significant.

The Group's capital expenditure and investments were financed by internal cash generation, share placement and issue of debt instrument.

SHARE CAPITAL STRUCTURE

During the period under review, the Company has issued 516 million new ordinary shares upon the conversion of convertible bonds.

As at 30th June 2007, the total issued share capital of the Company was approximately HK\$40 million divided into approximately 4 billion ordinary shares with a par value of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2007, the total number of employees of the Group in Hong Kong was approximately 260 (31st December, 2006: 280 employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subsidies in order to retain and refine competent employees.

PROSPECT

Cold Storage and Logistics Services

Despite the undesirability result of the first half of this year in terms of overall performance, we are still conservatively confident about the future prospect of the Group. Management as a whole believes continues to invest in information systems development is the important driver of quality performance, cost efficiency and customer satisfaction, that lead to more flexibility and more personalized service to our customer.

Recently, the storage and logistics industry has benefited from Hong Kong's leading freight infrastructure, such as the Hong Kong Shenzhen Western Corridor across Deep Bay was officially opened on 1st July, 2007, thereby doubling the capacity of Hong Kong's boundary crossing facilities. Also, the government is planning to build the Tuen Mun-Chek Lap Kok Link to further enhance the inland connectivity and to provide additional access to Hong Kong International Airport and linking to the Hong Kong Shenzhen Western Corridor. Besides, according to Jones Lang Lasalle, China logistics market will increase at an annual growth rate of 27% to 30% from 2007 to 2009.

The Hong Kong storage and logistics industry will continue to be supported by those positive factors, thus the Group keeps a close eye on the developments in the market and will well equip itself to grasp new opportunities and will endeavor to expand its business in order to create the sustained and steady growth of return to its shareholders.

PROSPECT (CONTINUED)

Hotel Investment

Macau's tourism industry is booming and continuously growing. According to Macau Government Tourist Office ("MGTO") announced, the total visitor arrivals of first half year of 2007 is already exceeded 12 million and represented an increase of 21.28%. At present, there are direct flights between Macau and Singapore, Malaysia, Thailand, the Philippines, Chinese Taiwan and MGTO will further strengthen promotions in Asian region and to further diversify the source markets, it will reflect that the number of visitors to Macau and the related travel spending shall grow to a great extent.

Following the grand opening of Venetian Macao-Resort-Hotel (the largest building in Asia and the second largest in the world, that have 350 stores favourite retailers, 20 leading restaurants and 1 million square feet of flexible convention and exhibition facilities) in Cotai, more shoppers, conventioners and tourists will be attracted to Cotai. In addition, following the reopening of the checkpoint at Cotai (Lotus Bridge) in April this year, more tour groups, under the coordination of MGTO and the support of the travel trade, will use the Cotai checkpoint in future.

Facing the enormous changes in Macau, Grand Waldo Hotel is seriously assessing the opportunity, challenges and competition ahead.

By order of the Board

Fung Wa Ko

Chairman

Hong Kong, 19th September, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	Continuing operations		Discontinued operations		Total	
		Six months ended		Six months ended		Six months ended	
		30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue		69,971	73,430	-	4,022	69,971	77,452
Direct costs		(62,288)	(64,895)	-	(3,488)	(62,288)	(68,383)
Gross profit		7,683	8,535	-	534	7,683	9,069
Other income	4	8,196	3,475	-	15	8,196	3,490
Selling and distribution costs		(1,740)	(1,791)	-	(465)	(1,740)	(2,256)
Administrative expenses		(11,446)	(9,742)	-	(928)	(11,446)	(10,670)
Impairment loss on goodwill	5	(3,200)	-	-	-	(3,200)	-
Impairment loss on available-for-sale investments	13	(11,600)	-	-	-	(11,600)	-
Gain on disposal of subsidiaries		-	-	-	879	-	879
Finance costs	6	(5,546)	(14)	-	-	(5,546)	(14)
(Loss) profit before tax		(17,653)	463	-	35	(17,653)	498
Tax credit	7	-	100	-	-	-	100
(Loss) profit for the period	8	(17,653)	563	-	35	(17,653)	598
(Loss) earnings per share – basic	10						
– from continuing and discontinued operations						(0.5) HK cents	0.02 HK cents
– from continuing operations						(0.5) HK cents	0.02 HK cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment property	11	17,000	17,000
Property, plant and equipment		20,858	21,862
Goodwill		11,713	14,913
Interest in an associate	12	–	–
Available-for-sale investments	13	137,520	149,120
Loans to an investee	14	110,537	232,479
Rental deposits paid		14,415	14,415
Pledged bank deposits		56,875	56,875
		368,918	506,664
CURRENT ASSETS			
Inventories		94	–
Trade and other receivables	15	28,691	31,797
Tax recoverable		958	1,155
Bank balances and cash		139,521	41,156
		169,264	74,108
CURRENT LIABILITIES			
Trade and other payables	16	12,341	11,878
Obligations under a finance lease		139	135
Promissory notes		4,940	4,766
Tax payable		20	–
		17,440	16,779
NET CURRENT ASSETS			
		151,824	57,329
		520,742	563,993

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	39,960	34,800
Reserves		388,595	369,027
		428,555	403,827
Minority interest		2	2
		428,557	403,829
NON-CURRENT LIABILITIES			
Obligations under a finance lease		160	231
Amount due to a minority shareholder of a subsidiary		27,632	56,864
Convertible bonds		31,605	71,380
Promissory notes		31,515	30,416
Deferred tax liabilities		1,273	1,273
		92,185	160,164
		520,742	563,993

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company						
	Share capital	Share premium	Retained profits	Convertible	Total	Minority interest	Total
				bond equity reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2006	30,000	-	284,706	-	314,706	-	314,706
Profit for the period representing total recognised income for the period	-	-	598	-	598	-	598
Placement of new shares	4,800	50,880	-	-	55,680	-	55,680
Expenses incurred in relation to placement of new shares	-	(1,732)	-	-	(1,732)	-	(1,732)
At 30th June, 2006	34,800	49,148	285,304	-	369,252	-	369,252
Loss for the period representing total recognised expense for the period	-	-	(285)	-	(285)	-	(285)
Acquisition of subsidiaries	-	-	-	-	-	2	2
Recognition of equity component of convertible bond	-	-	-	34,860	34,860	-	34,860
At 31st December, 2006	34,800	49,148	285,019	34,860	403,827	2	403,829
Loss for the period representing total recognised expense for the period	-	-	(17,653)	-	(17,653)	-	(17,653)
Conversion of convertible bonds into ordinary shares	5,160	57,255	-	(20,034)	42,381	-	42,381
At 30th June, 2007	39,960	106,403	267,366	14,826	428,555	2	428,557

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	1,430	40,842
NET CASH FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	–	(46,447)
Disposal of subsidiaries, net of cash and cash equivalents disposed of	–	19,664
Additions of property, plant and equipment	(2,036)	(1,535)
Repayment from loans receivable	–	3,000
Repayment of loans to an investee	128,000	–
Deposit paid for acquisition of a subsidiary	–	(100,000)
Increase in pledged deposits	–	(56,875)
Other investing activities	3,190	3,287
	129,154	(178,906)
NET CASH (USED IN) FROM FINANCING ACTIVITIES:		
Issue of shares, net of expenses	–	53,948
Repayment of loan from a minority shareholder of a subsidiary	(32,000)	–
Other financing activities	(219)	(62)
	(32,219)	53,886
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,365	(84,178)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	41,156	205,781
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD – represented by bank balances and cash	139,521	121,603

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. BASIS OF PREPARATION

The condensed consolidated 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 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 consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service Concession Arrangements ³

¹ Effective annual periods beginning on or after 1st January, 2009.

² Effective annual periods beginning on or after 1st March, 2007.

³ Effective annual periods beginning on or after 1st January, 2008.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

3. SEGMENT INFORMATION

The Group's turnover for the period was derived mainly from activities carried out in Hong Kong.

On 17th February, 2006, the Group disposed of its entire equity interest in Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited and Ytong Hong Kong Limited, which were engaged in the business of construction work contracting and sales of concrete products, for a cash consideration of HK\$25,000,000. The disposal was completed on 6th March, 2006.

An analysis of the Group's turnover and segment results by business segment which is the Group's primary reporting segment is as follows:

For the six months ended 30th June, 2007

	Continuing operations			Discontinued operations		Consolidated HK\$'000
	Cold storage and logistics services HK\$'000	Manufacturing and trading of ice HK\$'000	Property investment HK\$'000	Total HK\$'000	Construction work contracting and sales of concrete products HK\$'000	
REVENUE	68,396	1,575	-	69,971	-	69,971
SEGMENT RESULT	(1,946)	(1,228)	(261)	(3,435)	-	(3,435)
Unallocated corporate income				7,889	-	7,889
Unallocated corporate expenses				(4,961)	-	(4,961)
Impairment loss on available-for-sale investments				(11,600)	-	(11,600)
Finance costs				(5,546)	-	(5,546)
Loss before tax				(17,653)	-	(17,653)
Taxation				-	-	-
Loss for the period				(17,653)	-	(17,653)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

3. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30th June, 2006

	Continuing operations				Discontinued operations	Consolidated
	Cold storage and logistics services	Manufacturing and trading of ice	Property investment	Total	Construction work contracting and sales of concrete products	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE	72,010	1,420	–	73,430	4,022	77,452
SEGMENT RESULT	3,173	(1,607)	(262)	1,304	(844)	460
Unallocated corporate income				3,218	–	3,218
Unallocated corporate expenses				(4,045)	–	(4,045)
Gain on disposal of subsidiaries				–	879	879
Finance costs				(14)	–	(14)
Profit before tax				463	35	498
Tax credit				100	–	100
Profit for the period				563	35	598

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

4. OTHER INCOME

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank interest income	3,084	3,218	-	-	3,084	3,218
Imputed interest income from loans to an investee	4,805	-	-	-	4,805	-
Sundry income	307	257	-	15	307	272
	8,196	3,475	-	15	8,196	3,490

5. IMPAIRMENT LOSS ON GOODWILL

During the period, the Group has recognised an impairment loss on goodwill amounting to HK\$3,200,000 in the condensed consolidated income statement. Goodwill in 2006 was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services.

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 13-year period, and discount rate of 10%. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

Due to the effects caused by the decrease in the demand of cold storage service and the uncertainty about the market conditions, the Group has revised its cash flow forecasts for the CGU during the period. The CGU has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

6. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	Six months ended		Six months ended		Six months ended	
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Obligations under a finance lease	9	14	-	-	9	14
Imputed interest expense on interest-free amount due to a minority shareholder of a subsidiary	1,515	-	-	-	1,515	-
Imputed interest expense on convertible bonds	2,749	-	-	-	2,749	-
Imputed interest expense on promissory notes	1,273	-	-	-	1,273	-
	5,546	14	-	-	5,546	14

7. TAX CREDIT

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
The (credit) charge comprises:		
Continuing operations:		
Hong Kong Profits Tax	-	(280)
Deferred taxation	-	180
	-	(100)

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

No provision for Hong Kong Profits Tax had been made during the six months ended 30th June, 2007 as the Group had no assessable profit for the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
(Loss) profit for the period have been arrived at after charging the following items:		
Depreciation of property, plant and equipment	2,873	2,622
Loss on disposal of property, plant and equipment	61	-
Release of prepaid lease payments	-	60

9. 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, 2007 and 30th June, 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

10. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) earnings for the purposes of basic (loss) earnings per share	(17,653)	598
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	3,557,168	3,095,470

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

10. (LOSS) EARNINGS PER SHARE (CONTINUED)

From continuing operations

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

	Six months ended	
	30.6.2007	30.6.2006
	HK\$'000	HK\$'000
(Loss) earnings:		
(Loss) earnings for the period attributable to equity holders of the Company	(17,653)	598
Less: profit for the period from discontinued operations	–	35
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	(17,653)	563

Basic earnings per share for discontinued operations for the six months ended 30.6.2006 was insignificant, based on the profit for the period from discontinued operations of HK\$35,000.

The effect of convertible bonds is excluded from the calculation of diluted loss per share for the period since the effect will be anti-dilutive.

11. INVESTMENT PROPERTY

The fair value of the Group's investment property at 30th June, 2007 has been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited, an independent firm of professional property valuers not connected with the Group. The directors of Greater China Appraisal Limited who carry out the valuation, are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. There is no change in fair value of the investment property during the period.

The investment property of the Group is situated in Hong Kong and held under medium-term leases. The investment property as at 30th June, 2007 is vacant.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

12. INTEREST IN AN ASSOCIATE

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Cost of investment in an associate, unlisted shares	2,000	2,000
Share of post-acquisition losses, net of dividend received	(1,827)	(1,827)
Less: Impairment	(173)	(173)
	-	-

The movement of goodwill which was included in the cost of investment in an associate is set out below:

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Goodwill on acquisition of an associate	1,257	1,257
Less: Impairment	(1,257)	(1,257)
	-	-

13. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Unlisted shares, at cost	149,120	149,120
Less: Impairment	(11,600)	-
	137,520	149,120

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

13. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

The Group has, through an acquisition of subsidiaries, acquired certain assets including the above available-for-sale investments in 2006. The above unlisted shares represent the Group's effective interest of 30% of the issued ordinary shares of a private entity incorporated in the British Virgin Islands. The private entity is Richbo Enterprises Limited, a company principally engages in investment holding. Richbo Enterprises Limited holds 44.45% (31.12.2006: 50%) interest in Hoover International Limited, which in turn holds 90% (31.12.2006: 80%) interest in a group that operates an investment property and a hotel resort complex in the Macau Special Administrative Region of the People's Republic of China ("Macau"). As at 31st December, 2006, the Group, through its subsidiary and Richbo Enterprises Limited, held 12% effective interest in an investment property and held 12% effective interest in a hotel resort complex operation. In February 2007, as a result of a partial disposal of equity interest of an investee that holds the investment property, the effective interest of the Group in the investment property has been reduced from 12% to 6%. The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so varied that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group has recognised the impairment loss on available-for-sale investments amounting to HK\$11,600,000 in the condensed consolidated income statement. The amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale investments and the present value of the estimated future cash flows of investment property, hotel operation and spa operation discounted at 14%, 16% and 18% respectively. Due to the keen competition for hotel operation and spa operation in Macau, and the effect of partial disposal of equity interest of an investee holding the investment property, the Group has revised its cash flow forecasts and the carrying amount of available-for-sale investments has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

In the opinion of the directors of the Company, the Group does not have any significant influence nor any power to exercise significant influence over the management of the investee and accordingly, the investments are not classified as associate.

14. LOANS TO AN INVESTEE

The loans are unsecured, interest-free and will not be demanded for repayment within twelve months from the balance sheet date, and accordingly, the amounts are shown as non-current.

The interest-free loans are initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of loans is 8.5% per annum.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

15. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 to 60 days to its customers in respect of provision of cold storage and logistics services, and manufacturing and trading of ice.

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

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
0 – 30 days	12,326	11,851
31 – 60 days	8,509	8,915
61 – 90 days	3,190	3,544
91 – 120 days	101	25
More than 120 days	481	466
	24,607	24,801

16. TRADE AND OTHER PAYABLES

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

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
0 – 30 days	3,312	2,400
31 – 60 days	1,576	744
61 – 90 days	454	218
91 – 120 days	210	36
	5,552	3,398

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

17. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each				
At 1st January, 2007	5,000,000	50,000	3,480,000	34,800
Conversion of convertible bonds into ordinary shares	–	–	516,000	5,160
At 30th June, 2007	5,000,000	50,000	3,996,000	39,960

During the period, convertible bonds with carrying amount of HK\$59,856,000 have been converted into 516,000,000 ordinary shares at the conversion price of HK\$0.116 per share. All the new shares issued rank pari passu in all respects with then existing shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

18. PLEDGE OF ASSETS

As at 30th June, 2007, banking facilities to the extent of approximately HK\$3,300,000 (31.12.2006: HK\$3,300,000) of the Group were secured by all assets of a wholly-owned subsidiary of the Company with aggregate carrying amount of the total assets amounting to approximately HK\$62,200,000 as at 30th June, 2007 (31.12.2006: HK\$64,000,000).

As at 30th June, 2007, fixed deposits of approximately HK\$56,900,000 (31.12.2006: HK\$56,900,000) were pledged to a bank which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

19. CONTINGENT LIABILITIES

As at 15th February, 2005, the Group had disposed of certain subsidiaries, namely Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited, and provided a deed of indemnity to the purchaser in the amount of approximately HK\$5 million in respect of potential tax claimed by tax authority of these subsidiaries. The directors are of the opinion that the potential 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 condensed consolidated financial statements of the Group.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 26, which comprises the condensed consolidated balance sheet of Daido Group Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 19th September, 2007

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2007, none of the directors and the chief executive of the Company and their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of Substantial Shareholders

As at 30th June, 2007, to the best knowledge of the directors of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

OTHER INFORMATION

DISCLOSURE OF INTERESTS (CONTINUED)

Interests of Substantial Shareholders (continued)

Long positions of the substantial shareholder in the shares and underlying shares of the Company:

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited ^(Note 1)	Beneficial owner	1,011,615,665	–	25.31%
China Star Entertainment Limited ^(Note 2)	Interest of controlled corporation	700,000,000	–	17.51%
Ever Apollo Limited ^(Note 3)	Beneficial owner	95,000,000	382,758,621	11.95%
Fung Ho Sum ^(Note 3)	Interest of controlled corporation	95,000,000	382,758,621	11.95%
Wong Ka May ^(Note 3)	Spouse interest	95,000,000	382,758,621	11.95%
Equity Capital Group Limited ^(Note 4)	Beneficial owner	311,615,664	–	7.79%
So Yiu Ming, Sunny ^(Note 4)	Interest of controlled corporation	311,615,664	–	7.79%
Lam Fung Yee, Venue ^(Note 4)	Spouse interest	311,615,664	–	7.79%

DISCLOSURE OF INTERESTS (CONTINUED)

Interests of Substantial Shareholders (continued)

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.
2. China Star Entertainment Limited is deemed to be interested in the 700,000,000 shares which are held by its wholly-owned subsidiary, Classical Statue Limited.
3. Other than the interest in 95,000,000 shares, Ever Apollo Limited is also deemed to have interest in the share capital of the Company in respect of the number of shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bond under the SFO. Ms. Wong Ka May is the spouse of Mr. Fung Ho Sum who is the beneficial owner of Ever Apollo Limited.
4. Ms. Lam Fung Yee, Venue is the spouse of Mr. So Yiu Ming, Sunny who is the beneficial owner of Equity Capital Group Limited.

Save as disclosed above, as at 30th June, 2007, the directors of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

The Company has a share option scheme which enables the Company to grant options to the eligible participants as incentives or rewards for their contribution to the Group.

No share option was outstanding as at 1st January, 2007 and 30th June, 2007 and no share option was granted under the share option scheme during the period.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board believes that a good corporate governance is not only in the interest of the Company and its shareholders as a whole, but also increasingly important for maintaining and promoting investor confidence. The Board is responsible for ensuring a high quality of corporate governance maintained. For the first half of 2007, the Board of the Directors are of the view that the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, except for code provision A.2.1 concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period, the Chairman and Chief Executive Officer of the Company are currently performed by Mr. Fung Wa Ko. Taking to account Mr. Fung has strong expertise and excellent insight of the business development, corporate management and budget control, this structure will lead to more effective implementation of the overall strategy and ensure smooth operation of the Company. The Board believed that this structure will not impair the balance of power and authority between the Board and the management of the business of the Company as the structure of the Company has strong and independent non-executive directors element on the Board.

In order to maintain the high quality of the corporate governance and comply with the CG Code requirement, the Board and Nomination Committee will regularly review the need of appointment of different individuals to perform the roles of Chairman and Chief Executive Officer separately.

CORPORATE GOVERNANCE (CONTINUED)

Code on Corporate Governance Practices (continued)

In respect of the code provision C.2.1 on internal controls, the Group has conducted reviews of the internal control system of the main subsidiaries during the period under review. Through our review, a number of control deficiencies principally in relation to segregation of duties for cash handling and invoicing were identified, mainly at logistic business segment. Accordingly, those deficiencies have been rectified and all related controls of those deficiencies have also been retested. Besides, we are not aware of any situation where these have been made a great impact on our financial position or results of operations. We will continue to conduct reviews and tests of the other remaining segments and expect those works will be completed by the year ended of 2007.

Model Code for Securities Transactions by Directors

The Company has adopted a set of code of conduct for securities transactions by directors, the terms of which are not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Company's Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Company's Model Code during the period under review.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with the Company's Model Code. No incident of non-compliance was noted by the Company during the period under review.

OTHER INFORMATION

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June, 2007 with the Directors. At the request of Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with Hong Kong Standard on Review Engagements 2410 issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises all of the three Independent Non-executive Directors, namely Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2007.