Stock Code 股份代號：00544

DAIDO

Group Limited
大同集團有限公司

IR08
中期報告

CONTENTS

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

00544

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

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
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
Rooms 1901-02
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

OVERALL RESULTS

For the six months ended 30th June, 2008, total turnover of the Group amounted to approximately HK$83 million, up 19% when compared to the first half of the previous financial year of approximately HK$70 million. Loss attributable to equity holders of the Group was approximately HK$2 million. The loss was mainly attributable to the fair value adjustment on loans to an investee of HK$4 million. Loss per share was HK 0.05 cents.

The Group continues to run three business divisions, namely (i) Cold Storage and Logistics Services, (ii) Manufacturing and Trading of Ice, and (iii) Property and Hotel Investment.

BUSINESS REVIEW

Cold Storage and Logistics Services

During the first six months of 2008 under review, the Cold Storage and Logistics Services sector achieved a steady growth of 20% in turnover. The segment turned around with a profit of HK$4 million, when compared with a loss of HK$2 million during the same period last year. The Group still earned a profit in this sector, even though there was soaring inflation level in China and Hong Kong and increasing operational costs in the logistics operation. The profit was mainly attributable to increase in occupancy of freezer storage.

According to the latest statistics report published by the Hong Kong Census and Statistic Department, the Composite Consumer Price Index (CPI) in Hong Kong for the first half of 2008 rose by 5.1% over the previous year. The upward inflation spiral made dealers increase stock holdings as they expect to sell their goods at a higher price later on. As a result, inventory turnover rate lowered albeit storage occupancy remained high.

During the period under review, the Group maintained an acceptable occupancy rate for its two freezer storage warehouses. In light of increasing demand for freezer storage, the Group has decided to invest in the renovation of its storage warehousing by shifting some of the other storage compartments to freezer compartment. The renovation will take place in phases.

BUSINESS REVIEW (CONTINUED)

Cold Storage and Logistics Services (continued)

Regarding the Group's logistics operation, soaring energy prices has added much pressure on the business. An increase of delayed payment cases from the PRC business partners has been observed under the unstable global financial environment. Furthermore, restrictions on transportation activities during Olympic period in the PRC caused a clampdown on the logistics operation. Nevertheless, the Group has implemented strategic operational actions in order to minimize the adverse effects.

Manufacturing and Trading of Ice

During the first six months of 2008, the Ice Manufacturing and Trading sector accounted for approximately 1% of the total revenue of the Group, a decrease from the 2% it made up in 2007.

The revenue performance of the Manufacturing and Trading of ice business showed a decrease due to the prolonged rainy season, offsetting possible increase that could have been gained under the high temperatures recorded during the period under review. Commencement of the infrastructure construction projects were delayed due to the rainy weather, therefore affecting the industrial ice business.

Property and Hotel Investment

During the period under review, the operating result of hotel and spa operation, whilst remain as losses, have been improved as compared to the same period last year. These losses were the result of an oversupply of hotels and resorts in Macau and regulatory uncertainties. Nevertheless, no further impairment loss on available-for-sale investments was made during the first six months of 2008 after reviewed the projected future cash flow of such investments.

The increasing openings of casinos and casino resorts have intensified the competition in gaming industry in Macau. In order to stay competitive, competitors have opened more casinos and casino resorts in order to gain a larger market share. However, increasing operational costs, particularly in the labour segment, has exerted much pressure on the industry. Some leading casino enterprises even incurred loss in the first half of 2008 due to high labour costs and struggled to cut operating costs through staff streamlining.

BUSINESS REVIEW (CONTINUED)

Property and Hotel Investment (continued)

Statistics from the Macau's Gaming Inspection and Coordination Bureau showed that the combined gaming revenue of the 30 casinos in Macau for the three months ended June 2008 fell to 28,885 MOP million from 29,823 MOP million in the previous quarter. The drop in gaming business implies the decreased demand for gaming-related business such as hotels and resorts.

The Macau Statistics and Census Service showed that the majority of the visitors to Macau came from the PRC, accounting for 58% of the total number of visitors in June 2008. Due to the tightening of the Individual Visit Scheme of the PRC that was put in force in May 2008, residents of Guangdong and several other provinces could apply for tourist travel permits to Macau once a month, instead of the previous allowance of two tourist travel permits per month. Business or multi-entry visas used by government officials and high rollers have now been reduced from ten visits per month to three visits per month, according to industry observation. Under the new measure, the visitor arrivals from the PRC dropped to 36.1% in June 2008, which added to its woes.

PLEDGE OF ASSETS

As at 30th June, 2008, banking facilities to the extent of HK$3.3 million of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million.

As at 30th June, 2008, bank deposits of approximately HK$65.4 million (31st December, 2007: approximately HK$56.9 million) are 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, 2008, the Group had cash and bank balances of approximately HK$120 million. (31st December, 2007: approximately HK$134 million). The decrease was mainly due to the increase in pledged deposit and other receivables. The gearing ratio, measured as non-current borrowings over shareholder's equity was 17% as at 30th June, 2008 (31st December, 2007: 17%).

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. During the year, the Group's capital expenditure was financed by internal cash generation.

SHARE CAPITAL STRUCTURE

As at 30th June, 2008, the total issued share capital of the Group was approximately HK$41,680,000 divided into approximately 4,168,000,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2007.

EMPLOYMENT AND RENUMERATION POLICY

As at 30th June, 2008, the total number of employees of the Group in Hong Kong was approximately 268 (31st December, 2007: 268 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 for employees' benefit.

PROSPECT

Cold Storage and Logistics Services

Looking into the future, the Cold Storage and Logistics Services remains the core business and the main drive of revenue for the Group. The revenue growth in this sector is expected to be slightly retarded due to the accelerating inflation spiral and dropping consumer spending sentiment.

For the first half of 2008 as a whole, the Composite Consumer Price Index (CPI) rose by 5.1% over a year earlier according to the Hong Kong Census and Statistics Department.

Results of the AC Nielsen poll taken from late May to early June 2008 showed that consumer confidence index dropped nine points from 118 for the first half of last year to 109 this year that spending sentiment has slipped in the past two years.

PROSPECT (CONTINUED)

Cold Storage and Logistics Services (Continued)

In spite of the unfavorable economic environment, the Group endeavours to make the most of its profitable businesses so as to increase profits for the shareholders. As demand for freezer storage remains high, the Group will continue to put more focus on the Cold Storage Services by expanding its freezer capacity, thus easing high occupancy and increasing inventory flow.

Increased capacity of the storage facilities will enable maximization of the operating efficiency and capabilities, which in return, will broaden the revenue and earnings base of the Group. The increase in revenue is expected to be seen in the financial results of the Group since the second half of the year.

Manufacturing and Trading of Ice

Revenue from this sector is expected to remain stable during the second half of the year. Growth in revenue is expected when a number of infrastructure projects by the Hong Kong Government begin commencement starting from 2009 as stated in the 2007-2008 Hong Kong Policy Address. Highlighted projects include the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Sha Tin to Central Link, South Island Line, Kai Tak Development Plan, the Tuen Mun Western Bypass and Tuen Mun – Chek Lap Kok Link.

Property and Hotel Investment

Tightening regulations on the construction of new casinos in Macau are expected to help slow down the white-heat growth of casinos and related amenities such as hotels and resorts, thus easing oversupply and keen competition.

In order to improve the profit margin in this sector, the Grand Waldo management has put strict control over operational expenses by simplifying the human resources structure of the hotel and spa operation during the second half of this year. The effect of improved profit margin is expected to be reflected in the second half of the year.

As always, the Group will continue to strengthen its core businesses, and explore new business opportunities for the profit of its loyal shareholders.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	NOTES	Six months ended 30.6.2008 HK$'000 (unaudited)	30.6.2007 HK$'000 (unaudited)
Revenue	3	**83,460**	69,971
Direct costs		**(72,692)**	(62,288)
Gross profit		**10,768**	7,683
Other income	4	**7,533**	8,196
Selling and distribution expenses		**(1,743)**	(1,740)
Administrative expenses		**(11,351)**	(11,446)
Impairment loss on goodwill	5	**–**	(3,200)
Impairment loss on available-for-sale investments	13	**–**	(11,600)
Fair value adjustment on loans to an investee	14	**(4,387)**	–
Finance costs	6	**(3,030)**	(5,546)
Loss before tax		**(2,210)**	(17,653)
Tax credit	7	**187**	–
Loss for the period	8	**(2,023)**	(17,653)
Loss per share – basic	10	**HK (0.05) cents**	HK (0.5) cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	NOTES	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	11	**18,000**	18,000
Property, plant and equipment		**17,251**	19,682
Goodwill		**11,713**	11,713
Interest in an associate	12	**–**	–
Available-for-sale investments	13	**137,520**	137,520
Loans to an investee	14	**106,150**	106,150
Rental deposits paid		**16,352**	14,218
Pledged bank deposits		**68,906**	60,375
		375,892	367,658
CURRENT ASSETS			
Inventories		**72**	93
Trade and other receivables	15	**39,575**	34,815
Tax recoverable		**–**	607
Bank balances and cash		**120,475**	134,010
		160,122	169,525
CURRENT LIABILITIES			
Trade and other payables	16	**13,517**	14,686
Obligations under a finance lease		**148**	143
Promissory notes		**4,935**	4,762
Tax payable		**470**	–
		19,070	19,591
NET CURRENT ASSETS		**141,052**	149,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**516,944**	517,592

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	NOTES	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	**41,680**	41,680
Reserves		**400,270**	402,293
		441,950	443,973
Minority interest		**2**	2
		441,952	443,975
NON-CURRENT LIABILITIES			
Obligations under a finance lease		**13**	88
Amount due to a minority shareholder of a subsidiary		**26,536**	26,536
Convertible bonds		**18,840**	18,097
Promissory notes		**28,941**	27,928
Deferred tax liabilities		**662**	968
		74,992	73,617
		516,944	517,592

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Attributable to equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Convertible bond equity reserve HK$'000	Total HK$'000	Minority interest HK$'000	Total HK$'000
At 1st January, 2007 (audited)	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 (unaudited)	39,960	106,403	267,366	14,826	428,555	2	428,557
At 1st January, 2008 (audited)	**41,680**	**126,043**	**268,103**	**8,147**	**443,973**	**2**	**443,975**
Loss for the period representing total recognised expense for the period	**-**	**-**	**(2,023)**	**-**	**(2,023)**	**-**	**(2,023)**
At 30th June, 2008 (unaudited)	**41,680**	**126,043**	**266,080**	**8,147**	**441,950**	**2**	**441,952**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(5,940)**	1,430
NET CASH (USED IN) FROM INVESTING ACTIVITIES:		
Additions of property, plant and equipment	**(689)**	(2,036)
Repayment of loans to an investee	**–**	128,000
Increase in pledged bank deposits	**(8,531)**	–
Other investing activities	**1,699**	3,190
	(7,521)	129,154
NET CASH USED IN FINANCING ACTIVITIES:		
Repayment of loan from a minority shareholder of a subsidiary	**–**	(32,000)
Other financing activities	**(74)**	(219)
	(74)	(32,219)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(13,535)**	98,365
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**134,010**	41,156
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD – represented by bank balances and cash	**120,475**	139,521

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 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 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, 2007.

In the current interim period, the Group has applied, for the first time, certain new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2008. The adoption of these new Interpretations 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 and revised standards, amendments or interpretations that have been issued but are not yet effective.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[3]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[4]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st July, 2008.
4 Effective for annual periods beginning on or after 1st October, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will not have material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

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

For the six months ended 30th June, 2008

	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Consolidated HK$'000
REVENUE	82,091	1,369	–	83,460
SEGMENT RESULT	3,900	(1,467)	(284)	2,149
Unallocated corporate income				7,183
Unallocated corporate expenses				(4,125)
Fair value adjustment on loans to an investee				(4,387)
Finance costs				(3,030)
Loss before tax				(2,210)
Tax credit				187
Loss for the period				(2,023)

3. SEGMENT INFORMATION (CONTINUED)

For the six months ended 30th June, 2007

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

4. OTHER INCOME

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Bank interest income	**1,699**	3,084
Imputed interest income from loans to an investee	**4,387**	4,805
Sundry income	**1,447**	307
	7,533	8,196

5. IMPAIRMENT LOSS ON GOODWILL

During the six months ended 30th June, 2007, the Group had recognised an impairment loss on goodwill amounting to HK$3,200,000 in the condensed consolidated income statement. Goodwill 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 had been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 13%. The cash flows beyond 5-year period were 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 was based on the CGU's past performance and management's expectations for the market development.

The directors of the Company considered that further impairment on goodwill is not necessary during the six months ended 30th June, 2008.

6. FINANCE COSTS

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interest on obligations under a finance lease	**4**	9
Imputed interest expense on amount due to a minority shareholder of a subsidiary	**1,097**	1,515
Imputed interest expense on convertible bonds	**743**	2,749
Imputed interest expense on promissory notes	**1,186**	1,273
	3,030	5,546

7. TAX CREDIT

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
The tax credit comprises:		
Hong Kong Profits Tax	**119**	–
Deferred taxation		
Current year	**(251)**	–
Attributable to change in tax rate	**(55)**	–
	(187)	–

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

8. LOSS FOR THE PERIOD

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
Loss for the period have been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**3,120**	2,873
Loss on disposal of property, plant and equipment	**–**	61

9. DIVIDEND

No dividend was paid, declared or proposed during the period.

The board of directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2008 and 30th June, 2007.

10. LOSS PER SHARE

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

	Six months ended	
	30.6.2008	30.6.2007
	HK$'000	HK$'000
Loss for the purposes of basic loss per share	**(2,023)**	(17,653)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,168,000**	3,557,168

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

11. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30th June, 2008 have been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent firm of professional property valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The investment properties of the Group are situated in Hong Kong and held under medium-term leases. The investment properties as at 30th June, 2008 are vacant.

12. INTEREST IN AN ASSOCIATE

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Cost of investment in an associate, unlisted shares	**2,000**	2,000
Share of post-acquisition losses, net of dividends received	**(1,827)**	(1,827)
Less: Impairment	**(173)**	(173)
	–	–

13. AVAILABLE-FOR-SALE INVESTMENTS

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(11,600)**	(11,600)
	137,520	137,520

The Group has, through an acquisition of subsidiaries in 2006, acquired certain assets including the above available-for-sale investments. The above unlisted shares represent the Group's indirect interest of 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. 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 Richbo because the Group does not and has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

13. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

Richbo, a company principally engaged in investment holding, holds 44.45% (31.12.2007: 44.45%) interest in Hoover International Limited, which in turn holds 90% (31.12.2007:: 90%) interest in a group that owns an investment property and a hotel resort complex in Macau, the People's Republic of China (the "PRC"). As at 30th June, 2008, the Group, through its subsidiary and Richbo held 6% effective interest in an investment property and held 12% effective interest in a hotel resort complex operation.

The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group had recognised the impairment loss on available-for-sale investments amounting to HK$11,660,000 in the condensed consolidated income statement for the six months ended 30th June, 2007. The amount of the impairment loss was 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 foreseen by the Group, 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.

The directors of the Company considered that further impairment on available-for-sale investments is not necessary during the six months ended 30th June, 2008.

14. LOANS TO AN INVESTEE

The loans to Richbo were originated from the acquisition of assets in 2006. The loans are unsecured, interest-free and with no fixed repayment terms. The directors of the Company considered that the amount will not be repaid 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 the loans is 8.5% (six months ended 30th June, 2007: 8.5%) per annum.

At 30th June, 2008, the Group re-estimated the cash flows of the remaining balance based on the management's best estimation on the expected repayment date of the loans and discounted at the original effective interest rate and the fair value adjustment on loans to an investee amounted to HK$4,387,000 has been charged to condensed consolidated income statement.

15. TRADE AND OTHER RECEIVABLES

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group 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, net of allowance for doubtful debts, with an aged analysis as follows:

	30.6.2008	31.12.2007
	HK$'000	HK$'000
0 – 30 days	**13,653**	14,313
31 – 60 days	**10,994**	11,189
61 – 90 days	**4,357**	5,358
91 – 120 days	**716**	203
More than 120 days	**107**	174
	29,827	31,237

16. TRADE AND OTHER PAYABLES

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

	30.6.2008 HK$'000	31.12.2007 HK$'000
0 – 30 days	**3,555**	3,278
31 – 60 days	**2,028**	1,337
61 – 90 days	**465**	638
91 – 120 days	**10**	1
	6,058	5,254

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 bond into ordinary shares	–	–	516,000	5,160
At 30th June, 2007	5,000,000	50,000	3,996,000	39,960
Conversion of convertible bond into ordinary shares	–	–	172,000	1,720
At 31st December, 2007 and 30th June, 2008	5,000,000	50,000	4,168,000	41,680

During the year ended 31st December, 2007, convertible bonds with principal amount of HK$59,856,000 and HK$19,952,000 had been converted into 516,000,000 and 172,000,000 ordinary shares, respectively 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.

18. PLEDGE OF ASSETS

As at 30th June, 2008, banking facilities to the extent of HK$3,300,000 (31.12.2007: HK$3,300,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (31.12.2007: HK$3,500,000).

As at 30th June, 2008, bank deposits of HK$65,406,000 (31.12.2007: HK$56,875,000) are 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 up to 2012 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 8 to 25, which comprises the condensed consolidated balance sheet of Daido Group Limited as of 30th June, 2008 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 Listing 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, 12th September, 2008

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2008, none of the directors, chief executives of the Company nor 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 (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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, 2008, to the best knowledge of the directors or chief executives 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 and the Stock Exchange 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:

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	–	24.27%
China Star Entertainment Limited(Note 2)	Interest of controlled corporation	700,000,000	–	16.79%
Ever Apollo Limited(Note 3)	Beneficial owner	160,000,000	210,344,828	8.88%
Fung Ho Sum(Note 3)	Interest of controlled corporation	160,000,000	210,344,828	8.88%
Wong Ka May(Note 3)	Spouse interest	160,000,000	210,344,828	8.88%
Equity Capital Group Limited(Note 4)	Beneficial owner	311,615,664	–	7.47%
So Yiu Ming, Sunny(Note 4)	Interest of controlled corporation	311,615,664	–	7.47%
Lam Fung Yee, Venue(Note 4)	Spouse interest	311,615,664	–	7.47%

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, Bingo Chance Limited.

3. Other than the interest in 160,000,000 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 bonds 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, 2008, the directors or chief executives 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 are required to be disclosed to the Company and the Stock Exchange 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, 2008 and 30th June, 2008 and no share option was granted under the share option scheme during the period.

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, 2008.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

For the first half of 2008, 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.

In respect of the code provision C.2.1 on internal controls, the Company has put a lot of effort on the improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating the internal control of the Group and the details of the Internal Control Action Plan was set out in the Company's 2007 Annual Report. Under the Internal Control Action Plan, the stage of detail sample testing on the internal control system of each department was started in 2007. To succeed this stage, during the period the Company implement detail test in the operation of manufacturing and trading of ice, which is one of its major business segments.

CORPORATE GOVERNANCE (CONTINUED)

Code on Corporate Governance Practices (Continued)

To examine the control effectiveness of this business segment, the Company has reviewed the operations of manufacturing and trading of ice and also focused on the accuracy measurement of such operations. The main issue is to maintain proper and accurate accounting records for the provision of financial information for internal analysis on minimizing operational costs and maximizing efficiency. Through the review, a number of deficiencies were identified, mainly in measuring the utilization of water and the quantity of manufacturing, trading and inferior ice. The rectification of those deficiencies is currently being processed by the relevant departments.

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.

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, 2008 with the Directors. At the request of Audit Committee, the Group's external auditors have carried out a review of the unaudited interim financial information 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.