



DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 544)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

The board of directors (the “Board”) of Daido Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007, together with the comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	Continuing operations		Discontinued operations		Total	
		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	3	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		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		(3,200)	-	-	-	(3,200)	-
Impairment loss on available-for-sale investments		(11,600)	-	-	-	(11,600)	-
Gain on disposal of subsidiaries		-	-	-	879	-	879
Finance costs		(5,546)	(14)	-	-	(5,546)	(14)
(Loss) profit before tax		(17,653)	463	-	35	(17,653)	498
Tax credit	4	-	100	-	-	-	100
(Loss) profit for the period	5	<u>(17,653)</u>	<u>563</u>	<u>-</u>	<u>35</u>	<u>(17,653)</u>	<u>598</u>
(Loss) earnings per share - basic	7						
- from continuing and discontinued operations						<u>(0.5) HK cents</u>	<u>0.02 HK cents</u>
- from continuing operations						<u>(0.5) HK cents</u>	<u>0.02 HK cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2007

	<i>NOTES</i>	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment property		17,000	17,000
Property, plant and equipment		20,858	21,862
Goodwill		11,713	14,913
Interest in an associate		-	-
Available-for-sale investments		137,520	149,120
Loans to an investee		110,537	232,479
Rental deposits paid		14,415	14,415
Pledged deposits		56,875	56,875
		368,918	506,664
CURRENT ASSETS			
Inventories		94	-
Trade and other receivables	8	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	9	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
CAPITAL AND RESERVES			
Share capital		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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

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.

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	<u>68,396</u>	<u>1,575</u>	<u>-</u>	<u>69,971</u>	<u>-</u>	<u>69,971</u>
SEGMENT RESULT	<u>(1,946)</u>	<u>(1,228)</u>	<u>(261)</u>	<u>(3,435)</u>	<u>-</u>	<u>(3,435)</u>
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				<u>(17,653)</u>	<u>-</u>	<u>(17,653)</u>

For the six months ended 30th June, 2006

	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	<u>72,010</u>	<u>1,420</u>	<u>-</u>	<u>73,430</u>	<u>4,022</u>	<u>77,452</u>
SEGMENT RESULT	<u>3,173</u>	<u>(1,607)</u>	<u>(262)</u>	<u>1,304</u>	<u>(844)</u>	<u>460</u>
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				<u>563</u>	<u>35</u>	<u>598</u>

4. 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
	<u>-</u>	<u>180</u>
	<u>-</u>	<u>(100)</u>

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.

5. (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
	<u>-</u>	<u>60</u>

6. 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.

7. (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	<u>(17,653)</u>	<u>598</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>3,557,168</u>	<u>3,095,470</u>

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	<u>(17,653)</u>	598
Less: profit for the period from discontinued operations	<u>-</u>	<u>35</u>
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	<u>(17,653)</u>	<u>563</u>

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.

8. 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
	<u>24,607</u>	<u>24,801</u>

9. 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
	<u>5,552</u>	<u>3,398</u>

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2007 (2006 : Nil).

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 30 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 cent (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.

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.

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).

As at 30th June, 2007, fixed deposits of approximately HK\$56.9 million (31st December, 2006: 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, 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 and the creation of approximately HK\$57 million share premium upon the conversion of convertible bonds.

As at 30 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.

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 1 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.

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.

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 of Hong Kong Limited (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 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.

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.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk under “Latest Listed Company Information” and the Company’s website at www.irasia.com/listco/hk/daido/index.htm.

The 2007 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Executive Directors, namely, Mr. Fung Wa Ko and Mr. Tang Tsz Man, Philip and Independent Non-executive Directors, namely, Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming.

By order of the Board of
Daido Group Limited
Fung Wa Ko
Chairman

Hong Kong, 19th September, 2007

** For identification purpose only*