



DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

ANNUAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2007

The board of directors (the “Board”) of Daido Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2007, together with the comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	NOTES	Continuing operations		Discontinued operations		Total	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	154,444	145,744	-	4,022	154,444	149,766
Direct costs		(132,392)	(126,225)	-	(3,488)	(132,392)	(129,713)
Gross profit		22,052	19,519	-	534	22,052	20,053
Other income	3	17,545	9,724	-	15	17,545	9,739
Selling and distribution expenses		(3,597)	(3,568)	-	(465)	(3,597)	(4,033)
Administrative expenses		(22,413)	(21,259)	-	(928)	(22,413)	(22,187)
Impairment loss on goodwill		(3,200)	-	-	-	(3,200)	-
Impairment loss on available-for-sale investments	4	(11,600)	-	-	-	(11,600)	-
Gain on disposal of subsidiaries		-	-	-	879	-	879
Change in fair value of investment properties		1,000	-	-	-	1,000	-
Fair value adjustment on loans to an investee		(7,521)	-	-	-	(7,521)	-
Finance costs	5	(9,109)	(4,241)	-	-	(9,109)	(4,241)
(Loss) profit before tax		(16,843)	175	-	35	(16,843)	210
Tax (charge) credit	6	(73)	103	-	-	(73)	103
(Loss) profit for the year	7	(16,916)	278	-	35	(16,916)	313
Dividend	8					-	-
(Loss) earnings per share - basic	9						
- from continuing and discontinued operations						<u>HK (0.45) cent</u>	<u>HK 0.01 cent</u>
- from continuing operations						<u>HK (0.45) cent</u>	<u>HK 0.01 cent</u>

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2007

	NOTES	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
NON-CURRENT ASSETS			
Investment properties		18,000	17,000
Property, plant and equipment		19,682	21,862
Goodwill		11,713	14,913
Interest in an associate		-	-
Available-for-sale investments		137,520	149,120
Loans to an investee		106,150	232,479
Rental deposits paid		14,218	14,218
Pledged bank deposits		60,375	56,875
		<u>367,658</u>	<u>506,467</u>
CURRENT ASSETS			
Inventories		93	-
Trade and other receivables	10	34,815	31,994
Tax recoverable		607	1,155
Bank balances and cash		134,010	41,156
		<u>169,525</u>	<u>74,305</u>
CURRENT LIABILITIES			
Trade and other payables	11	14,686	11,878
Obligations under a finance lease		143	135
Promissory notes		4,762	4,762
		<u>19,591</u>	<u>16,775</u>
NET CURRENT ASSETS		<u>149,934</u>	<u>57,530</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>517,592</u>	<u>563,997</u>

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
CAPITAL AND RESERVES		
Share capital	41,680	34,800
Reserves	<u>402,293</u>	<u>369,027</u>
Equity attributable to equity holders of the Company	443,973	403,827
Minority interest	<u>2</u>	<u>2</u>
	<u>443,975</u>	<u>403,829</u>
NON-CURRENT LIABILITIES		
Obligations under a finance lease	88	231
Amount due to a minority shareholder of a subsidiary	26,536	56,864
Convertible bonds	18,097	71,380
Promissory notes	27,928	30,420
Deferred taxation	<u>968</u>	<u>1,273</u>
	<u>73,617</u>	<u>160,168</u>
	<u>517,592</u>	<u>563,997</u>

NOTES:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following of new standard, amendment and interpretations (new "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) - Int 11	HKFRS 2 - Group and Treasury Share Transactions ³
HK(IFRIC) - Int 12	Service Concession Arrangements ⁴
HK(IFRIC) - Int 13	Customer Loyalty Programmes ⁵
HK(IFRIC) - Int 14	HKAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction 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 March, 2007.

⁴ Effective for annual periods beginning on or after 1st January, 2008.

⁵ Effective for annual periods beginning on or after 1st July, 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 and interpretations will have no material impact on the results and the financial position of the Group.

2. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
<i>Continuing operations</i>		
Cold storage and logistics services	151,175	141,849
Manufacturing and trading of ice	3,269	3,895
	<u>154,444</u>	<u>145,744</u>
<i>Discontinued operations</i>		
Revenue from construction work contracting and sales of concrete products	-	4,022
	<u>154,444</u>	<u>149,766</u>

Business segments

For management purposes, the Group is currently organised into three operating divisions - cold storage and logistics services, manufacturing and trading of ice, and property investment.

On 22nd February, 2006, the Company announced that a conditional sale and purchase agreement was entered into among one of its wholly-owned subsidiaries and the purchaser in respect of the disposal of the entire issued capital in certain subsidiaries which carried out construction work contracting and sales of concrete products. The disposal was completed in March 2006. Accordingly, the business segment of construction work contracting and sales of concrete products was classified as discontinued operations.

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

2007

	<u>Continuing operations</u>			<u>Total</u> HK\$'000	<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000		<u>Construction work contracting and sales of concrete products</u> HK\$'000	
REVENUE	<u>151,175</u>	<u>3,269</u>	<u>-</u>	<u>154,444</u>	<u>-</u>	<u>154,444</u>
SEGMENT RESULT	<u>6,478</u>	<u>(2,648)</u>	<u>476</u>	<u>4,306</u>	<u>-</u>	<u>4,306</u>
Unallocated income						16,924
Unallocated expenses						(9,843)
Impairment loss on available-for sale investments						(11,600)
Finance costs						(9,109)
Fair value adjustment on loans to an investee						(7,521)
Loss before tax						(16,843)
Tax charge						(73)
Loss for the year						<u>(16,916)</u>

BALANCE SHEET

	<u>Continuing operations</u>				<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Total</u> HK\$'000	<u>Construction work contracting and sales of concrete products</u> HK\$'000	
ASSETS						
Segment assets	137,854	1,426	18,111	157,391	-	157,391
Unallocated corporate assets						379,792
Consolidated total assets						537,183
LIABILITIES						
Segment liabilities	12,708	-	12	12,720		12,720
Unallocated corporate liabilities						80,488
Consolidated total liabilities						93,208

OTHER INFORMATION

	<u>Continuing operations</u>				<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Unallocated</u> HK\$'000	<u>Total</u> HK\$'000	
Allowance for trade receivables	118	-	-	-	118	118
Impairment loss on goodwill	3,200	-	-	-	3,200	3,200
Impairment loss on available-for-sale investments	-	-	-	11,600	11,600	11,600
Capital expenditure	4,506	7	-	133	4,646	4,646
Depreciation and amortisation	5,879	428	-	243	6,550	6,550

2006

	<u>Continuing operations</u>				<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Total</u> HK\$'000	<u>Construction work contracting and sales of concrete products</u> HK\$'000	
REVENUE	141,849	3,895	-	145,744	4,022	149,766
SEGMENT RESULT	7,313	(2,432)	(534)	4,347	(854)	3,493
Unallocated income						9,261
Unallocated expenses						(9,182)
Finance costs						(4,241)
Gain on disposal of subsidiaries	-	-	-	-	879	879
Profit before tax						210
Tax credit						103
Profit for the year						313

BALANCE SHEET

	<u>Continuing operations</u>				<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Total</u> HK\$'000	<u>Construction work contracting and sales of concrete products</u> HK\$'000	
ASSETS						
Segment assets	134,084	1,984	17,111	153,179	-	153,179
Unallocated corporate assets						427,593
Consolidated total assets						<u>580,772</u>
LIABILITIES						
Segment liabilities	9,214	105	12	9,331	-	9,331
Unallocated corporate liabilities						167,612
Consolidated total liabilities						<u>176,943</u>

OTHER INFORMATION

	<u>Continuing operations</u>					<u>Discontinued operations</u>	<u>Consolidated</u> HK\$'000
	<u>Cold storage and logistics services</u> HK\$'000	<u>Manufacturing and trading of ice</u> HK\$'000	<u>Property investment</u> HK\$'000	<u>Unallocated</u> HK\$'000	<u>Total</u> HK\$'000	<u>Construction work contracting and sales of concrete products</u> HK\$'000	
Allowance for inventories	-	-	-	-	-	287	287
Capital expenditure	951	1,886	-	146	2,983	-	2,983
Depreciation and amortisation	4,739	404	-	220	5,363	60	5,423

Geographical segments

More than 90% of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover are derived from customers located in Hong Kong.

All the segment assets of the Group are located in Hong Kong and all the additions to property, plant and equipment during the year are located in Hong Kong.

3. OTHER INCOME

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
Interest income from						
– bank deposits	6,792	5,406	-	10	6,792	5,416
– loans receivable	-	85	-	-	-	85
Imputed interest income from						
loans to an investee	9,192	3,760	-	-	9,192	3,760
Sundry income	1,561	473	-	5	1,561	478
	<u>17,545</u>	<u>9,724</u>	<u>-</u>	<u>15</u>	<u>17,545</u>	<u>9,739</u>

4. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

The Group has recognised the impairment loss on available-for-sale investments that related to its investment 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"). 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 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.

5. FINANCE COSTS

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on obligations under a finance lease	18	26	-	-	18	26
Imputed interest expense on amount due to a minority shareholder of a subsidiary	2,612	1,567	-	-	2,612	1,567
Imputed interest expense on convertible bonds	3,971	1,840	-	-	3,971	1,840
Imputed interest expense on promissory notes	2,508	808	-	-	2,508	808
	<u>9,109</u>	<u>4,241</u>	<u>-</u>	<u>-</u>	<u>9,109</u>	<u>4,241</u>

6. TAX CHARGE (CREDIT)

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The tax charge (credit) comprises:						
Hong Kong Profits Tax						
Current year	378	(304)	-	-	378	(304)
Underprovision in respect of prior years	-	38	-	-	-	38
	<u>378</u>	<u>(266)</u>	<u>-</u>	<u>-</u>	<u>378</u>	<u>(266)</u>
Deferred tax						
Current year	(305)	163	-	-	(305)	163
Tax charge (credit)	<u>73</u>	<u>(103)</u>	<u>-</u>	<u>-</u>	<u>73</u>	<u>(103)</u>

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

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

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
(Loss) profit before tax	<u>(16,843)</u>	<u>210</u>
Tax at the Hong Kong Profits Tax rate of 17.5%	(2,948)	37
Tax effect of expenses not deductible for tax purpose	5,783	866
Tax effect of income not taxable for tax purpose	(2,797)	(1,821)
Tax effect of tax losses not recognised	283	739
Tax effect of utilisation of tax loss not previously recognised	(299)	-
Underprovision in respect of prior years	-	38
Others	<u>51</u>	<u>38</u>
Tax charge (credit) for the year	<u>73</u>	<u>(103)</u>

7. (LOSS) PROFIT FOR THE YEAR

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Consolidated</u>	
	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
(Loss) profit for the year has been arrived at after charging:						
Amortisation of prepaid lease payments	-	-	-	60	-	60
Cost of inventories sold	62	-	-	3,488	62	3,488
Depreciation for property, plant and equipment						
Owned assets	6,442	5,255	-	-	6,442	5,255
Assets held under finance leases	108	108	-	-	108	108
Exchange loss, net	-	-	-	12	-	12
Loss on disposal of property, plant and equipment	<u>91</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>91</u>	<u>18</u>

8. DIVIDEND

No interim dividend was paid during the year (2006: nil).

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

9. (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:

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
<i>(Loss) earnings</i>		
(Loss) earnings for the purposes of basic (loss) earnings per share	<u>(16,916)</u>	<u>313</u>
	'000	'000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>3,790,071</u>	<u>3,289,315</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:

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
<i>(Loss) earnings</i>		
(Loss) earnings for the year	(16,916)	313
Less: profit for the year from discontinued operations	<u>-</u>	<u>35</u>
Earnings for the purposes of basic (loss) earnings per share from continuing operations	<u>(16,916)</u>	<u>278</u>

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operations

Basic earning per share for discontinued operations during the year ended 31st December, 2006 was insignificant based on the earning for that year from discontinued operations of HK\$35,000. The denominators used are the same as those detailed above for basic earnings per share.

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

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK\$31,237,000 (2006: HK\$24,801,000) with an aged analysis by invoice dates as follows:

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
0 - 30 days	14,313	11,851
31 - 60 days	11,189	8,915
61 - 90 days	5,358	3,544
91 - 120 days	203	25
More than 120 days	174	466
	<u>31,237</u>	<u>24,801</u>

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. No interest is charged on any outstanding trade receivables.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$5,254,000 (2006: HK\$3,398,000) with an aged analysis as follows:

	<u>2007</u> HK\$'000	<u>2006</u> HK\$'000
0 - 30 days	3,278	2,400
31 - 60 days	1,337	744
61 - 90 days	638	218
91 - 120 days	1	36
	<u>5,254</u>	<u>3,398</u>

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December 2007, total turnover of the Group amounted to approximately HK\$154 million, up 3% when compared to the previous financial year of approximately HK\$150 million. Loss attributable to equity holders of the Group was approximately HK\$17 million. The loss was mainly attributable to the impairment loss on available-for-sales investments of HK\$11.6 million and impairment loss on goodwill of HK\$3.2 million. Loss per share was HK0.45 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 Investment.

BUSINESS REVIEW

Cold Storage and Logistics Services

In the fiscal year 2007, this sector achieved a steady growth of 6% in turnover, accounting for over 90% of total revenue for the Group. The segment profit was however decreased by 11% mainly due to the impairment loss on goodwill of HK\$3.2 million accounted for during the first half of the year.

The total asset of this segment was increased to HK\$138 million from HK\$134 million last year, which is in line with the operating result during the year.

The Group is working towards its aim to be the leader in the cold storage and logistics market in Hong Kong. Dealing mainly with the import handling, storage and distribution of frozen foods, vegetable and dairy products from Mainland China, the Group has positioned itself in a stable yet high-performance sector that has benefitted from China and Hong Kong's economic growth.

Favorable factors in the economic environment continue to fuel Hong Kong's demand in cold storage and logistics services. Amidst Mainland China's robust GDP rise, Hong Kong in turn experienced a strong and broad-based economic increase of 6.3% GDP over the previous year. According to the Economic and Trade Information on Hong Kong updated latest on 3rd April 2008, a total of 28.2 million visitors, or four times the size of the local population, visited Hong Kong in 2007 representing an 11.6% increase from 2006. These rising figures translate simply into an increased demand for food, and as a result have given this sector steady and stable growth.

Since the Group's entrance into this industry in January 2006, good business practices and dedication of the staff has earned the Group a sound reputation in this field. The Group continues to develop good long-term working relationships with various clients. These strong working ties had allowed the Group to thrive amidst fierce competition in this sector, and are a strong indicator of the Group's continued success to bring in revenue for its stakeholders as China and Hong Kong's economy continues to grow.

The Group expects that optimistic economic factors, such as the upcoming Beijing Olympics and continued growth of China's economy, coupled with effective management and cost control will bring in continued and steady revenue in its cold storage and logistics services.

Manufacturing and Trading of Ice

The Group produces ice bars and ice cubes for construction and consumable purposes under its Cold Storage operation.

Ice making, especially for consumption purpose, can be done on a small and cost-efficient basis. As such, the Group has channeled resources in this area to the more profitable cold storage business. The Ice Manufacturing and Trading sector accounted for approximately 2% of the total revenue of the Group in 2007, a decrease from the 3% it made up in 2006.

Property Investment

The Group's only property investment, the commercial property in Hunghom Commercial Centre remains vacant during the year. During the year, the Group recognized a change in fair value of the investment property in the sum of HK\$1 million and recorded a profit of HK\$0.5 million in this segment after deducting the operation cost of HK\$0.5 million.

Hotel Investment

The Group currently owns an effective interest of 6% in the Grand Waldo Hotel Complex and an effective interest of 12% in the operation of the hotel and spa operation of the Grand Waldo Hotel Complex. During the year the Group has recognized an impairment loss of HK\$11.6 million in the consolidated income statement due to the keen competition for hotel operation and spa operation and the effect of the disposal of effective interest of 6% in the Grand Waldo Hotel Complex. As a result, the carrying value of the available-for-sale investments was thus decreased by the same amount as compared to that of last year.

During the year, the Group received partial repayment of loan to an investee of HK\$128 million, which in turn repaid HK\$32 million for partial settlement of the amount due to a minority shareholder of a subsidiary. As a result of the above, the carrying amount of the loans to an investee and the amount due to a minority shareholder of a subsidiary have been decreased by the present value of the same amount as compared to that of last year.

PLEDGE OF ASSETS

As at 31st December 2007, 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 31st December 2007, bank deposits of approximately HK\$57 million (2006: HK\$57 million) are pledged to a bank which provides bank guarantee in favor of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

As at 31st December 2006, banking facilities to the extent of approximately 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\$64 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December 2007, the Group had cash and bank balances of approximately HK\$134 million (2006: approximately HK\$41 million). The increase was mainly due to the partial repayment of loans to an investee of HK\$128 million net of the partial settlement of amount due to a minority shareholder of a subsidiary of HK\$32 million. The gearing ratio, measured as non-current borrowings over shareholder's equity was 17% as at 31st December 2007 (2006: 40%), the decrease was attributable to the conversion of convertible bonds into new ordinary shares of the Company.

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

During the year, the Company has issued 688 million new ordinary shares upon the conversion of convertible bonds.

As at 31st December 2007, the total issued share capital of the Company was HK\$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK\$0.01 each.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December 2007, the total number of employees of the Group in Hong Kong was 268 (2006: 280). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides various staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subsidiaries for employees' benefit.

PROSPECTS

Favorable conditions such as the upcoming 2008 Olympic Games and the booming tourism in Macau all speak potential steady growth for the Group's businesses.

Cold Storage and Logistics Services

Around 70% of the Group's current cold storage facilities are freezers, (with temperatures at -16 to -20 deg Celsius). The other 30% are chillers (with temperatures at +0.5 to +6 deg Celsius), and air-conditioning units (with temperatures +15 to +24 deg Celsius). In view of the high demand for freezer storage and the potential turnover growth, the Group has identified possible gain by gradually converting its existing non-freezer compartments to freezer storage facilities.

Hotel Investment

Tourism statistics released by the Statistics and Census Services showed Mainland tourists accounting for over 55% of the total number of arrivals in 2007. Mainland tourists spent an average of MOP3,000, almost double the per-capita spending of the average tourist. The Group believes that the tremendous spending potential of the Mainland tourist will most certainly bring significant positive contribution to the Group in this division in future.

With the continued increase of Mainland tourists and their generous spending during their Macau trips, the Group is confident it has secured a property with great potential for significant contribution to the long-term performance of the Group.

The Group seeks to continue the strengthening of its core businesses, whilst at the same time explore new business opportunities in order to bring maximum returns to its shareholders.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2007 (2006: Nil).

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 year ended 31st December, 2007.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board and senior management are committed to maintain a high standard of corporate governance aiming at improving transparency, independence, accountability, responsibility and fairness of the Group. As such, the Board introduces the Internal Control Action Plan since 2006 in order to systematically review the work procedures in different departments and develop a comprehensive system to facilitate the internal control of the Group.

The Internal Control Action Plan comprises two stages, in stage one, a high-level risk assessment of the control environment of the Group was conducted; in stage two, a series of detailed review, testing and retesting of the internal control will be conducted on each department of the Group.

During the year, some key areas including account receivable, account payable and cash handling process of the major departments - Accounting Department, Sales & Marketing Department and Operation Department, which involved daily operations, had been reviewed. The key objective is to review the control of cash flow in those major departments and to ensure the Company's financial stability.

Through the review, a number of control deficiencies principally in relation to segregation of duties were identified. Accordingly, those deficiencies have been rectified and all related control of those deficiencies have also been retested and satisfied.

Besides, the Company has applied and complied the principles of the code provision under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2007, except for the deviation as stated below.

Pursuant to code provision A.2.1 of the CG Code, 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 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.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The Group's audited consolidated results for the year ended 31st December, 2007 have been reviewed by the Audit Committee of the Company. 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.

The figures in respect of the Group's consolidated income statement, consolidated balance sheet and the related notes thereto for the year ended 31st December, 2007 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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

This announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/daido/index.htm.

The 2007 annual 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, 18th April, 2008

** For identification purpose only*