INTERIM REPORT 2006

DAIDO

Stock Code: 544

DAIDO GROUP LIMITED

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Wa Ko *(Chairman)*
Mr. Tang Tsz Man, Philip
Mr. To Shu Fai
(resigned on 9th August, 2006)

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

WEBSITE

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

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
311–312 Two Exchange Square
Central
Hong Kong

STOCK CODE

0544

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

With the vision to strengthen the portfolio of its existing assets in order to bring the greatest possible returns to shareholders, the Group has implemented business restructuring since last year. The Autoclaved Aerated Lightweight Concrete business ("ALC business") was disposed at the beginning of 2006 due to the shrinkage of local building materials market. In view of the stable income of cold storage and logistics businesses, the Group acquired Best Merchant Limited and its subsidiaries Brilliant Cold Storage Management Limited and Brilliant Top In Logistics Limited. The Best Merchant Group was the former tenant under the Group's sub-lease agreement on the cold storage properties ("the cold storage"). The cold storage was previously owned by the Group and disposed of by the Group in early 2005. Following with the disposal, the Group leased back the cold storage and sub-lease to Best Merchant Group.

At present, following the discontinuance of ALC business and cold storage sub-leasing business, the Group operates three separate business segments, which include: (i) Cold Storage and Logistics Services, (ii) Manufacturing and Trading of Ice and (iii) Property Investment.

Actual Group turnover for the first six months ended 30th June, 2006 was HK$77 million, an increase of 32% compared to the corresponding period in last financial year. Net profit attributable to shareholders was HK$0.6 million, representing a 84% decrease on last year's first six month results. The decrease was mainly attributable to the gain on disposal of the cold storage of approximately HK$5 million in last six months period. Earnings per share also decreased from 0.12 HK cents per share as of 30th June, 2005 to 0.02 HK cents per share for the same period in 2006.

BUSINESS REVIEW

Continuing operations

Cold Storage and Logistics Services

In January 2006, the Group completed the acquisition of Best Merchant Limited and its subsidiaries Brilliant Cold Storage Management Limited and Brilliant Top In Logistics Limited. During the period under review, this segment registered a turnover of HK$72 million, accounting for over 90% of total revenue and become the new core business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Through the CEPA agreement, Hong Kong now enjoys a close and harmonious economic relationship with Mainland China. According to the statistics released by Hong Kong Census and Statistics Department, for the first half of 2006, total port cargo throughput rose by 3% to 115.6 million tonnes in Hong Kong. The volume of imported products is clearly rising, which in turn is helping to create favourable market conditions for cold storage and logistics. In addition, according to the statistics released by Hong Kong Trade and Industrial Department, 45% of all Hong Kong's imports come from the Mainland. With the strategy to focus on foods and specialities getting imported from China, the cold storage owns 30% of the local market share in Hong Kong and has successfully differentiated itself from its competitors.

The Group expects that this core business will bring additional revenue and stability by effective cost control, and it is the clear vision of the Group to establish its one-stop cold storage and logistics arm as one of the strongest in the Hong Kong market.

Manufacture and Trading of Ice

The manufacture and trading of ice is conducted at the Brilliant Cold Storage facility in Kwai Chung. At present this segment accounts for approximately 2% of annual turnover from the Cold Storage and Logistics business segment. As one of the leading producers of block and tubular ice in Hong Kong, it operates in two distinct markets: (i) industrial and (ii) food and beverage.

For the first six months of 2006, this segment was recorded a turnover of HK$1.4 million. The stable demand is still there from the food and beverage industry, however, a drop in the number of live construction projects has impacted on the sales performance of industrial ice.

Property Investment

Due to the acquisition of Best Merchant Group in the beginning of 2006, the Group was no longer to receive the monthly rental income from the cold storage. The commercial properties in Hunghom Commercial Centre became the only asset in the property investment portfolio. During the period under review, this segment recorded a loss of HK$0.3 million compared to a profit of HK$3.4 million last year. The loss was attributable to the management and maintenance expenses for the properties which had not been leased as of 30th June, 2006. Currently the Group has strong intention to lease the properties, as the overall rental rate in Hong Kong has been getting higher. According to the report released by Hong Kong Rating and Valuation Department, the rental index of private retail from April to June 2006 rose by 2.8% to 101.8 compared with the same period of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued operations

Sub-leasing

The Group disposed the cold storage in early 2005. After completion of the disposal of the cold storage, the Group leased back the cold storage with the purchaser and sub-leased the cold storage to Best Merchant Group which operates cold storage and logistics businesses. In January 2006, the Group diversified its business to cold storage and logistics services by acquiring Best Merchant Group, and as a result, it is no longer to receive the monthly rental income generated by the cold storage.

ALC business

The ALC business had been continuing to downsize since 2004 and was disposed of by the Group at the beginning of 2006.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2006, the Group had cash and bank balances of HK$122 million (31st December, 2005: HK$200 million). Except for obligation under a finance lease of HK$0.4 million, the Group did not have any outstanding bank borrowings and third party loans as at 30th June, 2006 (31st December, 2005: HK$0.5 million).

The Group's capital expenditure and investments were financed by internal cash generation and share placement.

CAPITAL STRUCTURE

During the period, the Company placed out 480,000,000 ordinary shares at HK$0.116 per share for the purpose of financing the acquisition of an 12% indirect attributable interest in Grand Waldo Hotel Complex.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2006, the total number of staff of the Group in Hong Kong was approximately 297. Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, contributory provident fund and professional tuition/training subsidies in order to retain competent employees.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Cold Storage and Logistics Business

The Group will continue to engage in the provision of cold storage and logistics services both in Hong Kong and on the Mainland as well as using the collective expertise of Best Merchant Group. As opportunities continue to develop throughout the Pearl River Delta region, and closer economic ties are made, the Directors believe that demand for cold storage warehousing facilities and logistics services will continue to increase and offer growth prospects. In view of these favourable conditions, it is expected that an incremental increase in rent will be made at some future stage.

With GDP on the Mainland grew by 10.9% in the second quarter of 2006, according to the National Bureau of Statistics, the economic climate should be highly favourable. The Group will continue to pave the way for top-line growth and bottom line improvement by controlling operation cost and searching for joint venture opportunity in the Mainland. The key strategy will be to provide a one-stop logistics service between HK and the PRC, as well as expanding the Group's logistics arm by increasing the number of trucks used for deployment. Better co-ordination and improved communication between Hong Kong and the Mainland will be rigorously pursued to guarantee a better quality of service to customers.

It is the clear intention of the Group to become one of Hong Kong's leading logistics service providers. The development of its cold storage services will also be an important area of business growth. It is for these reasons that the Directors feel confident that a positive set of results will be delivered in the second half of 2006.

Hotel Investment

On 29th May, 2006, the Group entered into an agreement for the acquisition of 12% indirect attributable interest in the Grand Waldo Hotel Complex at a consideration of HK$336 million. The luxurious 5-star resort hotel complex located in Macau comprises shopping mall, casino and spa facilities. The acquisition represents an exciting, high-potential long-term investment which is expected to make a significant contribution to the Group. There are several factors that can account for such an optimistic outlook.

Firstly, and most importantly, the Mainland authorities have updated the travel regulations in order to bring it more in line with the 21st century. As the restrictions on the number of Mainland tourists have been lifted by initiating the Individual Visit Scheme, the tourist industry in Macau shows very strong signs of growth. According to the statistics released by Macau

MANAGEMENT DISCUSSION AND ANALYSIS

Statistic and Census Department, for the six months of 2006, a total of 10.4 million tourists visited, up 16.8% on the previous period. Of these 10.4 million, approximately 5.8 million were from the Mainland, accounting for 55.9% of the total number of tourists. It is therefore the opinion of the Directors that more and more Mainland tourists will visit Macau in the future, given such favourable socio-political conditions.

Secondly, Macau has strong ambition to turn the region into the Las Vegas of the East. The statistics issued by Macau Statistic and Census Department indicated that gaming tax revenue accounted for 85.7% of the total tax revenue in June 2006. It rose 14.8% to MOP 9.78 billion in the first half of 2006. With more and more people visiting, the gaming industry is likely to expand significantly over the coming years. The Grand Waldo Hotel Complex has its gambling facility "Galaxy Casino", as one of the large-scale casinos in Macau. It is believed that the prosperity of gaming industry will trigger the demand of hotel rooms and services.

With Macau developing at such a fast rate, and with many more Mainland tourists expected to visit, the opportunities for this investment to make a sizeable and significant contribution to the long-term performance of the Group are well pronounced.

By Order of the Board
Fung Wa Ko
Chairman

Hong Kong, 20th September, 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

		Continuing operations Six months ended		Discontinued operations Six months ended		Total Six months ended	
	Notes	30.6.2006 HK$'000 (unaudited)	30.6.2005 HK$'000 (unaudited)	30.6.2006 HK$'000 (unaudited)	30.6.2005 HK$'000 (unaudited)	30.6.2006 HK$'000 (unaudited)	30.6.2005 HK$'000 (unaudited)
Revenue		73,430	5,145	4,022	53,347	77,452	58,492
Direct costs		(64,895)	(92)	(3,488)	(51,439)	(68,383)	(51,531)
Gross profit		8,535	5,053	534	1,908	9,069	6,961
Other income		3,475	1,301	15	861	3,490	2,162
Selling and distribution costs		(1,791)	—	(465)	(1,805)	(2,256)	(1,805)
Administrative expenses		(9,742)	(1,141)	(928)	(4,920)	(10,670)	(6,061)
Reversal of impairment loss recognised in respect of trade and other receivables		—	—	—	394	—	394
Gain on disposal of subsidiaries	15	—	5,289	879	—	879	5,289
Share of results of an associate		—	(116)	—	—	—	(116)
Impairment loss in respect of interest in an associate		—	(1,430)	—	—	—	(1,430)
Finance costs		(14)	(994)	—	—	(14)	(994)
Profit (loss) before tax		463	7,962	35	(3,562)	498	4,400
Taxation	4	100	(664)	—	(51)	100	(715)
Profit (loss) for the period	5	563	7,298	35	(3,613)	598	3,685
Dividend	6					—	—
Earning per share-basic	7						
— from continuing and discontinued operations						0.02 HKcents	0.12 HKcents
— from continuing operations						0.02 HKcents	0.24 HKcents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2006

	Notes	30.6.2006 HK$'000 (unaudited)	31.12.2005 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment property	8	17,000	17,000
Property, plant and equipment		23,142	776
Goodwill	14	14,913	—
Rental deposits paid		14,416	71,292
Deposit paid for acquisition of subsidiaries	19	100,000	10,000
Pledged deposits	16	56,875	—
Interest in an associate	9	—	—
		226,346	99,068
CURRENT ASSETS			
Trade and other receivables	10	34,519	2,814
Tax recoverable		1,168	—
Bank balances and cash		121,603	199,936
		157,290	202,750
Assets classified as held for sale	15	—	38,466
		157,290	241,216

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30.6.2006 HK$'000 (unaudited)	31.12.2005 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	11	12,644	1,722
Rental deposits received		—	10,050
Obligations under a finance lease		131	127
Unclaimed dividends		19	19
		12,794	11,918
Liabilities associated with assets classified as held for sale	15	—	13,294
		12,794	25,212
NET CURRENT ASSETS		144,496	216,004
		370,842	315,072
CAPITAL AND RESERVES			
Share capital	12	34,800	30,000
Reserves		334,452	284,706
		369,252	314,706
NON-CURRENT LIABILITIES			
Obligations under a finance lease		300	366
Deferred tax liabilities		1,290	—
		1,590	366
		370,842	315,072

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Total HK$000
At 1st January, 2005	30,000	—	358,156	388,156
Profit for the period	—	—	3,685	3,685
At 30th June, 2005	30,000	—	361,841	391,841
Loss for the period	—	—	(77,135)	(77,135)
At 31st December, 2005	30,000	—	284,706	314,706
Profit for the period	—	—	598	598
Placement of new shares	4,800	50,880	—	55,680
Expenses incurred in relation to placement of new shares	—	(1,732)	—	(1,732)
At 30th June, 2006	34,800	49,148	285,304	369,252

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2006

	Notes	Six months ended 30.6.2006 HK$'000 (unaudited)	30.6.2005 HK$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		40,842	21,718
NET CASH (USED IN) FROM INVESTING ACTIVITIES:			
Acquisition of subsidiaries, net of cash and cash equivalents acquired	14	(46,447)	—
Disposal of subsidiaries, net of cash and cash equivalents disposed of	15	19,664	525,217
Additions of property, plant and equipment		(1,535)	(42)
Repayment from loans receivable		3,000	8,531
Deposit paid for acquisition of a subsidiary		(100,000)	—
Increase in pledged deposits		(56,875)	—
Other investing activities		3,287	1,761
		(178,906)	535,467
NET CASH FROM (USED IN) FINANCING ACTIVITIES:			
Issue of shares, net of expenses		53,948	—
Repayment of borrowings		—	(338,046)
Other financing activities		(62)	(4,172)
		53,886	(342,218)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(84,178)	214,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		205,781	12,863
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD — represented by bank balances and cash		121,603	227,830

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

As at 30th June, 2006, the Group is organised into three operating divisions — cold storage and logistics services, manufacturing and trading of ice, and property investment. The provision of cold storage and logistics services, and manufacturing and trading of ice are new segments in the current period.

In December 2004, the Group entered into a conditional sale and purchase agreement to dispose of the entire issued capital in Best Goal International Limited and Double Worth Profits Limited, both are indirectly wholly-owned subsidiaries of the Company, which carried on property investment business, for a cash consideration of HK$650,000,000. Details of the disposal were set out in the circular of the Company dated 20th January, 2005 (see note 15(b)). The property investment business became discontinued upon the completion of the disposal on 15th February, 2005 and the property investment business was disclosed as discontinued operation in 2004's annual report and the interim financial report for the six months ended 30th June, 2005. During the second-half year of 2005, the Group purchased investment property and explored this business again. Accordingly, the property investment segment is disclosed as continuing operation for the current period, and the comparative figures of property investment segment was re-classified from discontinued operation as continuing operation.

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 on 17th February, 2006 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 approved by the shareholders on 6th March, 2006 (see note 15(a)). Details of the disposal were set out in the circular of the Company dated 22nd March, 2006. Accordingly, the business segment of construction work contracting and sales of concrete products was classified as discontinued operation, and the comparative figures of construction work contracting and sales of concrete products was re-classified from continuing operation as discontinued operation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (Cont'd)

During the last period, the Group sub-leased two cold storage warehouses in Hong Kong to Brilliant Cold Storage Management Limited ("BCSML") and Brilliant Top In Logistics Limited ("BTILL"), the wholly-owned subsidiaries of Best Merchant Limited. During the current period, through the acquisition of Best Merchant Limited on 9th January, 2006 as mentioned in note 14, BCSML and BTILL become the wholly-owned subsidiaries of the Company and the sub-leasing business of the Group has been ceased since 9th January, 2006. Accordingly, the sub-leasing business segment no longer exists for the current period, and the comparative figures of sub-leasing business segment was re-classified from continuing operation as discontinued operation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, which are measured at fair value, as appropriate.

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, 2005 except as described below.

In the current interim period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("INTs") (new "HKFRSs") issued by the HKICPA, which are either effective for accounting periods beginning on or after 1st December, 2005 or 1st January, 2006. The adoption of these new HKFRSs has had no material effect on how the results for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective. The directors of the Company is still not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from the application of these standard, amendment or interpretations.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC)-INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of Embedded Derivatives[4]

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

[1] Effective for annual periods beginning on or after 1st January, 2007.

[2] Effective for annual periods beginning on or after 1st March, 2006.

[3] Effective for annual periods beginning on or after 1st May, 2006.

[4] Effective for annual periods beginning on or after 1st June, 2006.

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, 2006

	Continuing operations				Discontinued operation	
	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$'000	Consolidated HK$'000
REVENUE	72,010	1,420	—	73,430	4,022	77,452
SEGMENT RESULT	1,329	237	(262)	1,304	(844)	460
Unallocated corporate income						3,207
Unallocated corporate expenses						(4,034)
Gain on disposal of subsidiaries	—	—	—	—	879	879
Finance costs						(14)
Profit before tax						498
Taxation	100	—	—	100	—	100
Profit for the period						598

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

3. SEGMENT INFORMATION (Cont'd)

For the six months ended 30th June, 2005

	Continuing operation	Discontinued operations			
	Property investment HK$'000	Construction work contracting and sales of concrete products HK$'000	Sub-leasing HK$'000	Total HK$'000	Consolidated HK$'000
REVENUE	5,145	38,392	14,955	53,347	58,492
SEGMENT RESULT	5,093	2,881	(6,443)	(3,562)	1,531
Unallocated corporate income					1,217
Unallocated corporate expenses					(1,097)
Gain on disposal of subsidiaries	5,289	—	—	—	5,289
Share of results of an associate					(116)
Impairment loss in respect of interest in an associate					(1,430)
Finance costs	(994)	—	—	—	(994)
Profit before tax					4,400
Taxation	(664)	(51)	—	(51)	(715)
Profit for the period					3,685

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

4. TAXATION

	Six months ended	
	30.6.2006 HK$'000	30.6.2005 HK$'000
The (credit) charge comprises:		
Continuing operations:		
Hong Kong Profits Tax	(280)	342
Deferred taxation	180	322
Income tax relating to continuing operations	(100)	664
Discontinued operations:		
Hong Kong Profits Tax	—	—
Deferred taxation	—	51
Income tax relating to discontinued operations	—	51
	(100)	715

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

No provision for Hong Kong Profits Tax has been made during the six months ended 30th June, 2006 as the Group has no assessable profit for the period. The tax credit represents the overprovision of Hong Kong Profits Tax in prior year.

The tax charge for the six months ended 30th June, 2005 had been partly relieved by the tax losses brought forward from previous years.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

5. CONSOLIDATED PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2006 HK$'000	30.6.2005 HK$'000
Consolidated profit (loss) for the period have been arrived at after charging (crediting) the following items:		
Depreciation	2,622	2,798
Release of prepaid lease payments	60	302
Loss (gain) on disposal of property, plant and equipment	22	(1)
Interest income	(3,218)	(1,866)

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, 2006 and 30th June, 2005.

7. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30.6.2006 HK$'000	30.6.2005 HK$'000
Earnings:		
Earnings for the purposes of basic earnings per share	598	3,685
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,095,470	3,000,000

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

7. EARNINGS PER SHARE (Cont'd)

From continuing operations

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

	Six months ended	
	30.6.2006 HK$'000	30.6.2005 HK$'000
Earnings:		
Earnings for the period attributable to equity holders of the Company	598	3,685
Less: Profit (loss) for the period from discontinued operations	35	(3,613)
Earnings for the purposes of basic earnings per share from continuing operations	563	7,298

Basic earning per share for discontinued operations is insignificant (six months ended 30.6.2005: loss of 0.12 HK cents per share), based on the profit for the period from discontinued operations of HK$35,000 (six months ended 30.6.2005: loss of HK$3,613,000). The denominators used are the same as those detailed above for basic earnings per share.

8. INVESTMENT PROPERTY

The fair value of the Group's investment property at 30th June, 2006 has been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Ltd., an independent firm of professional property valuers not connected with the Group. RHL Appraisal Ltd. is member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. There is no change in fair value of the investment property during the period.

The investment property of the Group is situated in Hong Kong and held under medium-term leases. The investment property as at 30th June, 2006 is vacant.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

9. INTEREST IN AN ASSOCIATE

	30.6.2006 HK$'000	31.12.2005 HK$'000
Cost of investment in an associate	3,257	3,257
Share of post-acquisition losses, net of dividend received	(1,827)	(1,827)
Less: Impairment	(1,430)	(1,430)
	—	—

10. 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 ice.

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

	30.6.2006 HK$'000	31.12.2005 HK$'000
0–30 days	12,651	—
31–60 days	9,679	—
61–90 days	4,222	—
91–120 days	238	—
More than 120 days	44	—
	26,834	—

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES

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

	30.6.2006 HK$'000	31.12.2005 HK$'000
0–30 days	3,104	—
31–60 days	1,243	—
61–90 days	375	—
91–120 days	12	—
More than 120 days	2	—
	4,736	—

12. 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, 2006	5,000,000	50,000	3,000,000	30,000
Placement of new shares	—	—	480,000	4,800
At 30th June, 2006	5,000,000	50,000	3,480,000	34,800

The placement of shares was completed on 26th May, 2006 and 480,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.116 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

13. SHARE OPTION SCHEME

During the period, the Company has terminated the existing share option scheme ("Old Scheme"), which was adopted on 29th August, 2000, and adopted a new share option scheme ("New Scheme") for eligible employees and non-executive directors of the Group. Details of the New Scheme were set out in the circular of the Company dated 23rd December, 2005. The resolutions of terminating the Old Scheme and the adoption of New Scheme were approved by the shareholders in the special general meeting of the Company on 9th January, 2006.

No share options have been granted under the Old Scheme and New Scheme.

14. ACQUISITION OF SUBSIDIARIES

On 17th October, 2005, Newton Luck Limited ("Newton"), a wholly-owned subsidiary of the Company, entered into an agreement with Choice Master Investments Limited ("Choice Master"), an independent third party, and Mr. Yeung Ming Kwong, Tony, the sole and beneficial shareholder and director of Choice Master pursuant to which Newton conditionally agreed to acquire and Choice Master conditionally agreed to sell to Newton the entire issued share capital of Best Merchant Limited at a cash consideration of HK$56 million. The acquisition was completed on 9th January, 2006.

The group headed by Best Merchant Limited carries out the businesses of provision of cold storage and logistics services, and manufacturing and trading of ice.

The carrying amounts of the net assets, which approximate to their fair values, acquired in the transaction, and the goodwill arising are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	23,544
Trade and other receivables	39,267
Bank balances and cash	1,637
Trade and other payables	(12,939)
Tax payable	(7,228)
Deferred tax liabilities	(1,110)
	43,171
Goodwill	14,913
Total consideration	58,084

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

14. ACQUISITION OF SUBSIDIARIES (Cont'd)

	HK$'000
Satisfied by:	
Cash	56,000
Cash paid for expenses related to acquisition	2,084
	58,084
Net cash outflow arising on acquisition:	
Cash consideration paid	(56,000)
Cash paid for expenses related to acquisition	(2,084)
Bank balances and cash acquired	1,637
	(56,447)
Deposit paid for acquisition in prior year	10,000
	(46,447)

The goodwill arising on the acquisition of Best Merchant Limited is attributable to the anticipated profitability of the business of provision of cold storage and logistics services, and manufacturing and trading of ice.

Best Merchant Limited contributed HK$73.4 million and HK$1.6 million to the Group's revenue and profit before tax, respectively, for the period between the date of acquisition and 30th June, 2006.

As the above acquisition was completed on 9th January, 2006, the directors considered that the revenue and profit before tax of Best Merchant Limited for the period as though the acquisition date for the acquisition effected during the period had been the beginning of that period should not be materially different from the revenue and profit before tax between the date of acquisition to 30th June, 2006.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

15. DISPOSAL OF SUBSIDIARIES

a. Discontinued operation

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, all were indirect wholly-owned subsidiaries of the Company, which carried on business of construction work contracting and sales of concrete products, for a cash consideration of HK$25,000,000. The disposal was completed on 31st March, 2006.

The major classes of assets and liabilities of construction work contracting and sales of concrete products at the date of disposal and 31st December, 2005 were as follows:

	31.3.2006 HK$000	31.12.2005 HK$'000
Property, plant and equipment	6,919	6,919
Long-term receivables	6,152	5,636
Prepaid lease payments	2,836	2,896
Inventories	5,973	5,723
Trade and other receivables	6,397	8,245
Rental deposits paid	—	114
Loans receivable	—	3,000
Amount due from customers for contract work	3	—
Deferred tax assets	88	88
Bank balances and cash	4,868	5,845
Assets classified as held for sale	33,236	38,466

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

15. DISPOSAL OF SUBSIDIARIES (Cont'd)

a. Discontinued operation (Cont'd)

	31.3.2006 HK$000	31.12.2005 HK$'000
Amounts due to customers for contract work	(4,072)	(4,017)
Trade and other payables	(5,424)	(9,190)
Guarantee money received	(87)	(87)
Liabilities associated with assets classified as held for sale	(9,583)	(13,294)
Net assets disposed of	23,653	
Cost incurred in relation to the disposal	468	
Gain on disposal of subsidiaries	879	
Total consideration	25,000	
Net cash inflow arising on disposal:		
Cash consideration received	25,000	
Cost incurred in relation to the disposal	(468)	
Bank balances and cash disposed of	(4,868)	
	19,664	

The subsidiaries disposed of during the period has constituted a cash outflow of HK$3,307,000 in the Group's operating activities, cash inflow of HK$3,005,000 in the investing activities and did not have cash flow in respect of financing activities.

The disposed subsidiaries had contributed HK$4,022,000 to the Group's revenue and no significant contributions to the Group's profit for the period.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

15. DISPOSAL OF SUBSIDIARIES (Cont'd)

b. Continuing operations

As detailed in note 1, the Company disposed of the entire issued share capital in Best Goal International Limited and Double Worth Profits Limited on 15th February, 2005. The net assets of the disposal at the date of disposal were as follows:

	HK$'000
Net assets disposed of	523,143
Gain on disposal	5,289
Total net consideration	528,432
Satisfied by:	
Net cash consideration	528,432
Net cash inflow arising on disposal:	
Net cash consideration received	528,432
Bank balances and cash disposal of	(3,215)
	525,217

The subsidiaries disposed of during the six months ended 30th June, 2005 used HK$191,000 in the Group's operating activities, generated HK$156,000 from the investing activities and used HK$740,000 in the financing activities.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

16. PLEDGE OF ASSETS

As at 30th June, 2006, banking facilities to the extent of approximately HK$3,300,000 (31.12.2005: nil) of the Group were secured by fixed and floating charges on the assets of the Group. The carrying value of these assets pledged was HK$64,000,000 as at 30th June, 2006 (31.12.2005: nil).

As at 30th June, 2006, fixed deposits of HK$56,875,000 (31.12.2005: nil) 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.

17. CONTINGENT LIABILITIES

As at 30th June, 2006, the Group had the following contingent liabilities:

(a) At 27th September, 2002, a Dangerous Hillside Order was issued by the Buildings Department requiring necessary improvement works to be carried out on the hillside adjacent to the Group's investments properties, which had been disposed of in February 2005 through the disposal of subsidiaries. After the disposal, the Group is still liable to the necessary improvement works. Tender for the relevant improvement works was made to a contractor for a sum of HK$856,000 on 7th November, 2005 and the work is expected to be completed by the end of 2006;

(b) As at 15th February, 2005, a deed of indemnity in the amount of approximately HK$5 million in respect of taxation was entered into among one of the subsidiaries and Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited which were indirectly wholly-owned subsidiaries of the Company and were disposed of by the Company in early 2005, regarding the potential tax claimed by tax authority to Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited. The directors are of the opinion that the potential for the tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the condensed financial statements of the Group; and

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES (Cont'd)

(c) The Group provided corporate guarantees to the extent of approximately HK$4.4 million to main contractors (which are independent third parties) to secure the due performance of its former subsidiaries in certain autoclaved aerated lightweight concrete blocks and panel projects. The purchaser of these former subsidiaries had undertaken to procure the corporate guarantees to be released after completion of disposal of the former subsidiaries on 31st March, 2006 and also to indemnify and keep the Company indemnified in full against all losses, damages, claims etc. suffered or incurred by the Company in connection with or arising from the corporate guarantees. The Company will request the purchaser to release the corporate guarantee as soon as possible.

18. RELATED PARTY TRANSACTIONS

During the period, the Group paid no office rent (six months ended 30.6.2005: HK$342,000) to a related company. The related company is beneficially held by Mr. To Shu Fai, a former director of the Company.

19. POST BALANCE SHEET EVENT

On 29th May, 2006, Grand Decade Enterprises Limited, a wholly-owned subsidiary of the Company, entered into agreement to acquire from Ever Apollo Limited the entire equity interest in Jumbonet International Profits Limited, a company which has a 12% indirect interest in Grand Waldo Complex, a hotel resort complex located in Macau. The total consideration for the acquisition is HK$336 million, of which HK$100 million has been paid before 30th June, 2006. Details of the acquisition were set out in the circular of the Company dated 21st August, 2006.

The acquisition was approved by the shareholders during the special general meeting of the Company being convened on 4th September, 2006.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have been instructed by the Company to review the interim financial report set out on pages 8 to 28.

DIRECTORS' RESPONSIBILITIES

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, 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.

REVIEW WORK PERFORMED

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of the group's management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20th September, 2006

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at 30th June, 2006, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or (iii) 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 ("Model Code") contained in the Listing Rules, were as follows:

(1) *Long positions in the ordinary shares of the Company*

Name of Director	Capacity	No. of shares held	Percentage of total issued share capital
Mr. To Shu Fai (Note)	Interest of controlled corporation	2,023,231,329	58.14%

Note: The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares. Mr. To Shu Fai and Mr. Tang Tsz Man, Philip, the Executive Directors, are also the directors of Top Synergy.

OTHER INFORMATION

(2) *Long positions in the ordinary shares of the Company's associated corporations*

Name of Director	Name of associated corporation	No. of shares held	Percentage of total issued share capital
Mr. To Shu Fai	Vision Harvest Limited	1	100%
Mr. To Shu Fai	Top Synergy Associates Limited	1	50%

(3) *Share options*

No share option was outstanding as at 1st January, 2006 and 30th June, 2006 and no share option was granted under the share option scheme during the period.

Save as disclosed above, as at 30th June, 2006, none of the Directors nor chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors, as at 30th June, 2006, the following persons (other than the Directors or chief executives of the Company) had or were deemed to have 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 were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

OTHER INFORMATION

Long positions in the ordinary shares of the Company

Name of Shareholder	Capacity	No. of shares held	Percentage of total issued share capital
Top Synergy Associates Limited (Note 1)	Beneficial owner	2,023,231,329	58.14%
Vision Harvest Limited (Note 1)	Interest of controlled corporation	2,023,231,329	58.14%
Ever Achieve Enterprises Limited (Note 1)	Interest of controlled corporation	2,023,231,329	58.14%
Ever Apollo Limited (Note 2)	Beneficial owner	900,000,000	25.86%
Fung Ho Sum (Note 2)	Interest of controlled corporation	900,000,000	25.86%
Wong Ka May (Note 2)	Spouse interest	900,000,000	25.86%
DKR SoundShore Oasis Holding Fund Ltd. (Note 3)	Beneficial owner	178,200,000	5.12%
DKR Oasis Management Co. LP (Note 3)	Investment manager	178,200,000	5.12%
DKR Capital Inc. (Note 3)	Interest of controlled corporation	178,200,000	5.12%
DKR Capital Partners LP (Note 3)	Interest of controlled corporation	178,200,000	5.12%
DKR Management Co. Inc. (Note 3)	Interest of controlled corporation	178,200,000	5.12%
Oasis Management Holdings LLC (Note 3)	Interest of controlled corporation	178,200,000	5.12%

Notes:

1. The 2,023,231,329 shares are held by Top Synergy Associates Limited ("Top Synergy"), the ultimate holding company of the Company which is owned as to 50% by Vision Harvest Limited ("VHL") and as to 50% by Ever Achieve Enterprises Limited ("EAEL"). The entire issued share capital of VHL is owned by Mr. To Shu Fai. The entire issued share capital of EAEL is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.

2. Ever Apollo Limited ("EAL") is deemed to have interest in the share capital of the Company in respect of the number of shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bond under the SFO. Ms. Wong Ka May is the spouse of Mr. Fung Ho Sum who is the beneficial owner of EAL.

3. To the best knowledge and information of the Directors, these companies are under the same group of companies and their notification of interests under the SFO was made at the same time.

Save as disclosed above, as at 30th June, 2006, the Directors or chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had or was deemed to have any interests or short

OTHER INFORMATION

positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), 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 were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

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, 2006.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Board and senior management are committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholder's benefit. Detailed disclosure of the Company's corporate governance report was stated in the 2005 Annual Report.

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the six months ended 30th June, 2006, save for a few exceptions specified and explained below:

Code Provision A.4.1

Under the Code, non-executive directors should be appointed for a specific term, subject to re-election.

All Non-executive Directors have been re-elected at the annual general meeting of the Company held on 25th May, 2006 ("2006 AGM") for an initial period of one year and will continue thereafter unless and until terminated by either party given the other not less than three months' notice but is also subject to retirement by rotation and re-election under the Bye-laws of the Company.

OTHER INFORMATION

Code Provision A.4.2

Under the Code, all directors be appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

A special resolution has been passed at the 2006 AGM to amend the Bye-laws of the Company so as to comply with Code Provision A.4.2.

The Board continues to review its practices from time to time with an aim to improve the Group's corporate governance practices so as to meet international best practice.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no 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, 2006 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 the Statement of Auditing Standards 700 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.