



DAIDO

Stock Code 股份代號 : 00544



DAIDO 大同集團
有限公司
2010 **GROUP LIMITED**
Interim Report 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan
Mr. Tang Tsz Man, Philip

Non-executive Director

Mr. Fung Wa Ko (*Chairman*)

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung (*Chairman*)
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Remuneration Committee

Mr. Fung Siu Kit, Ronny (*Chairman*)
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming (*Chairman*)
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2010, total revenue of the Group amounted to approximately HK\$83 million, up 13% when compared to approximately HK\$73 million in the first half of the previous financial year.

Loss attributable to owners of the Company was approximately HK\$111,000. The decrease in loss was mainly attributable to the increase of cold storage and related services revenue and gross profit. Loss per share was HK0.01cent.

The overall results are in line with Management's expectations as envisaged last year.

The Group is principally engaged in the operation of cold storage and related services, property investment and investment holding.

BUSINESS REVIEW

Cold storage and related services

The Group's core business, cold storage and related services operation, had an encouraging performance during the first half of 2010 due to several favorable external factors.

The Management's strategic policy of converting some non-freezer compartments to freezer compartments achieved high profit margins due to increasing overall occupancy rate. The conversion work was completed in August 2009, and the profit contribution is reflected in this year's results.

Strong recovery in the global economy boosted consumer confidence, stimulated consumption demand for frozen food and was hence conducive to the cold storage business in HK.

The gross domestic product ("GDP") resumed a positive year-on-year growth of 2.5% in the fourth quarter of 2009, and maintained a strong growth of 2.4% in the first quarter of 2010 based on the latest data from the Census and Statistics Department ("C&SD") in May 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Cold storage and related services (continued)

Meanwhile, the Hong Kong's consumer confidence index ("CCI") remained strong at 101 in the second quarter of 2010, slightly raised 2 points, comparing with the previous quarter. Meanwhile, the global consumer confidence increased 5 points to 92, reaching the highest level since the third quarter of 2007, showing a positive sign of global economic recovery, according to a recent Nielsen confidence report released in May 2010.

According to the latest report released by C&SD, the year-on-year rate of increase in the consumer price index ("CPI") rose to 1.7% in June 2010, 0.3% higher than that in May, mainly due to the costs for meals bought away from home, enlarged increases in private housing rentals, and the charges for package tours.

Due to the Chinese government's import policy. The demand for cold storage from HK importers picked up with a sustainable growth. The uptrend is expected to stay as long as the policy is sustained.

The logistics services operation, which serves most of our cold storage customer, also reported a positive growth.

The Group produces edible ice cubes and industrial ice bars for consumption purpose and construction use respectively.

The Ice cubes business will contribute positively to the Group's performance, since both the quantity supplied and unit price increased as compared to the same period last year.

The sales of industrial ice bars remained stagnant this year, as the benefits from the preliminary stage of new construction activities are yet to surface. However, the outlook remains positive when the construction works are in progress. Large construction works such as the Hong Kong-Zhuhai-Macau Bridge, the New Cruise Terminal and the Guangzhou-Shenzhen-Hong Kong Express Rail Link have been commenced.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Investments

The operating loss of investments was narrowed down as a result of the growth in tourism in Macau.

Recent data from the Statistics and Census Service of Government of Macao Special Administrative Region revealed visitor arrivals increased by 30.6% year-on-year to approximately 1.9 million in June 2010. In the first half of year 2010, visitor arrivals rose by 17.9% year-on-year to approximately 12 million.

Visitors from Mainland China, who are one of our major hotel clients, rose by 44.7% year-on-year to approximately 1 million in June 2010, with around 0.4 million traveling to Macao under the Individual Visit scheme, increased by 62.6%, compared with the previous year.

The renovation and construction works on the hotel resort complex, a Group's investment with the aim to enhance its competitive advantage in the hospitality industry, is still in progress.

PLEDGE OF ASSETS

As at 30th June, 2010, banking facilities to the extent of HK\$3.5 million (31st December, 2009: HK\$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million (31st December, 2009: HK\$3.5 million).

As at 30th June, 2010, bank deposits of approximately HK\$65 million (31st December, 2009: approximately HK\$65 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group had cash and bank balances of approximately HK\$159 million. (31st December, 2009: approximately HK\$161 million). The decrease was mainly due to the cash used in operating activities and additions of property, plant and equipment. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was 18% as at 30th June, 2010 (31st December, 2009: 18%).

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 period under review, the Group's capital expenditure was financed by internal cash generation.

SHARE CAPITAL STRUCTURE

As at 30th June, 2010, there was no change in the total issued share capital of the Company, HK\$9,996,000 divided into 999,600,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31st December, 2009.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2010, the total number of employees of the Group in Hong Kong was 279 (31st December, 2009: 279 employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subsidies for employees' benefit.

PROSPECTS

Given the continuing recovery of the global economy, the Management holds an optimistic view of the business performance in the coming financial year, in anticipation of growth of the core cold storage business.

The improving economic conditions with growing GDP and strong CCI should continue to increase demand for frozen foods and hence demand for cold storage.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

However, the Management remains cautious about the profit margin of business in the course of business operation expansion. The pressure from increasing operating cost as a result of continuous upsurge in rental and labour cost is high. The increasing cost of human resource will also affect the profit margin of the Macau hotel operation.

The Management remains positive in the investment in the hotel and resort operation in Macau. The strategic move of changing part of the amenity building space to guest rooms so as to compliment gambling customers will be progressing as planned.

Moreover, the Management is confident that hotel business can be improved following the opening of the casino industry and implementation of the individual Visit scheme, together with the continuing growth of China economy.

Furthermore, the Management believes that the opening of Galaxy Mega Resort in early 2011 is conducive to the businesses nearby and could benefit Grand Waldo Hotel.

The outlook for industrial ice bar product sales is positive, since large-scale construction works have already commenced.

The Management will continue to look for new investment opportunities to expedite the business growth and remains positive and confident about the Group's achievement and performance in the coming year.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	NOTES	Six months ended	
		30.6.2010 HK\$'000 (unaudited)	30.6.2009 HK\$'000 (unaudited)
Revenue		82,719	73,324
Direct costs		(72,214)	(65,345)
Gross profit		10,505	7,979
Other income	4	3,223	3,123
Selling and distribution expenses		(2,063)	(1,766)
Administrative expenses		(10,095)	(11,837)
Change in fair value of investment properties		1,800	300
Finance costs	5	(3,534)	(2,987)
Loss before tax	6	(164)	(5,188)
Tax credit	7	53	484
Loss for the period and total comprehensive loss for the period attributable to owners of the Company		(111)	(4,704)
Loss per share – basic and diluted	9	HK(0.01) cent	HK(0.56) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	10	–	16,400
Property, plant and equipment	11	21,851	22,553
Goodwill		8,513	8,513
Available-for-sale investments		88,920	88,920
Loans to an investee	12	60,733	58,444
Prepayment for acquisition of property, plant and equipment		–	256
Rental deposits paid		16,352	16,352
Pledged bank deposits		68,906	68,906
		265,275	280,344
CURRENT ASSETS			
Trade and other receivables	13	36,396	32,585
Bank balances and cash		158,583	160,687
		194,979	193,272
Assets classified as held for sale	14	18,391	–
		213,370	193,272
CURRENT LIABILITIES			
Trade and other payables	15	14,283	12,595
Tax payable		59	84
Obligations under a finance lease		60	58
Promissory notes		4,934	4,762
		19,336	17,499
Liabilities associated with assets classified as held for sale	14	6	–
		19,342	17,499
NET CURRENT ASSETS		194,028	175,773
TOTAL ASSETS LESS CURRENT LIABILITIES		459,303	456,117

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	9,996	9,996
Reserves		372,612	372,723
Equity attributable to owners of the Company		382,608	382,719
Non-controlling interest		6,419	4,691
		389,027	387,410
NON-CURRENT LIABILITIES			
Obligations under a finance lease		195	225
Amount due to a non-controlling shareholder of a subsidiary		24,596	24,650
Convertible bonds		22,164	21,293
Promissory notes		23,185	22,375
Deferred tax liabilities		136	164
		70,276	68,707
		459,303	456,117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Retained profits	Convertible		Non- controlling interest	Total
					bond equity reserve	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2009 (audited)	41,680	126,043	-	158,277	8,147	334,147	2	334,149
Loss for the period representing total comprehensive loss for the period	-	-	-	(4,704)	-	(4,704)	-	(4,704)
Deemed contribution on interest-free advance from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	1,097	1,097
At 30th June, 2009 (unaudited)	41,680	126,043	-	153,573	8,147	329,443	1,099	330,542
At 1st January, 2010 (audited)	9,996	172,770	39,984	151,822	8,147	382,719	4,691	387,410
Loss for the period representing total comprehensive loss for the period	-	-	-	(111)	-	(111)	-	(111)
Deemed contribution on interest-free advance from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	1,728	1,728
At 30th June, 2010 (unaudited)	9,996	172,770	39,984	151,711	8,147	382,608	6,419	389,027

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(517)	(2,670)
NET CASH USED IN INVESTING ACTIVITIES:		
Additions of property, plant and equipment	(2,189)	(1,692)
Other investing activities	715	791
	(1,474)	(901)
CASH USED IN FINANCING ACTIVITIES	(35)	(77)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,026)	(3,648)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	160,687	109,008
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
– represented by bank balances and cash	158,661	105,360

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the 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, 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following revised standards, amendments and interpretation (“new and revised HKFRSs”) issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group applies HKFRS 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The Group has not early applied the following new or revised standards, amendments or interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

² Effective for annual periods beginning on or after 1st February, 2010

³ Effective for annual periods beginning on or after 1st July, 2010

⁴ Effective for annual periods beginning on or after 1st January, 2011

⁵ Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment:

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue for cold storage and related services	82,719	73,324
Segment result for cold storage and related services	3,335	(950)
Unallocated other income	2,903	3,062
Change in fair value of investment properties	1,800	300
Central administration expenses	(4,668)	(4,613)
Finance costs	(3,534)	(2,987)
Loss before tax	(164)	(5,188)

Segment result represents the profit earned or loss incurred by cold storage and related services without allocation of interest income, certain sundry income, change in fair value of investment properties, central administration expenses and finance costs. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

4. OTHER INCOME

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	450	773
Imputed interest income from loans to an investee	2,289	2,289
Gain on disposal of property, plant and equipment	236	–
Sundry income	248	61
	3,223	3,123

5. FINANCE COSTS

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on obligations under a finance lease	7	2
Imputed interest expense on amount due to a non-controlling shareholder of a subsidiary	1,674	1,097
Imputed interest expense on convertible bonds	871	802
Imputed interest expense on promissory notes	982	1,086
	3,534	2,987

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

6. LOSS BEFORE TAX

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before tax for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	3,118	3,782
Loss on disposal of property, plant and equipment	–	5

7. TAX CREDIT

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax credit comprises:		
Hong Kong Profits Tax Overprovision in prior period	25	–
Deferred tax Current period	28	484
	53	484

No Hong Kong Profits Tax has been made as the entities of the Group incurred tax losses for the six months ended 30th June, 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

8. DIVIDEND

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

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2010 and 30th June, 2009.

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2010	30.6.2009
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)

Loss for the purposes of basic and diluted loss per share	(111)	(4,704)
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	'000	'000
		(restated)

Number of ordinary shares for the purposes of basic and diluted loss per share	999,600	833,600
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The number of ordinary shares for the six months ended 30th June, 2009 has been adjusted for share consolidation as disclosed in note 16 to the condensed consolidated financial statements.

The computation of diluted loss per share for both periods do not assume the conversion of convertible bonds since it will result in a decrease in loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

10. INVESTMENT PROPERTIES

The investment properties were included in assets classified as held for sale as at 30th June, 2010 as disclosed in note 14.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$2.4 million (six months ended 30th June, 2009: approximately HK\$3.1 million) on additions of property, plant and equipment.

12. LOANS TO AN INVESTEE

The loans are unsecured, interest-free and with no fixed repayment terms. During the year ended 31st December, 2008, the directors of the Company re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investee and the project development plan. Accordingly, the amount is shown as non-current and outstanding balance of the loans to be repaid in three yearly installments commencing from 2016 is discounted to its fair value of HK\$53,866,000 using the original effective interest rate of 8.5% per annum. The principal amount is HK\$112,000,000.

During the six months ended 30th June, 2010, the Group recognised interest income of HK\$2,289,000 (six months ended 30th June, 2009: HK\$2,289,000).

At 30th June, 2010, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will remain to be in three yearly installments commencing from 2016 after taking into account the financial ability of the investees and the project development plan. No further adjustment on loans to an investee was required for current period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

13. TRADE AND OTHER RECEIVABLES

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and related services.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, with an aged analysis by invoice dates as follows:

	30.6.2010 HK\$'000 (unaudited)	31.12.2009 HK\$'000 (audited)
0 – 30 days	14,347	13,873
31 – 60 days	10,856	10,012
61 – 90 days	6,263	5,135
91 – 120 days	1,656	–
	33,122	29,020

14. ASSETS CLASSIFIED AS HELD FOR SALE

In February 2010, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in a subsidiary and assign the loan from the Group to an independent third party. The major assets and liabilities of the subsidiary include investment properties with carrying amount of HK\$18,200,000, bank balances of approximately HK\$78,000 and loan from the Group of approximately HK\$19,392,000 as at 30th June, 2010. Total consideration for the transaction amounted to HK\$20,000,000, plus total amount of all assets (excluding carrying amount of investment properties) less total amount of all liabilities (excluding the loan from the Group) of the subsidiary at the completion date. Upon signing the conditional sale and purchase agreement, the investment properties are leased to the buyer until the date of disposal which is expected to be completed in February 2011. In the opinion of the directors, the transaction is considered as disposal of assets through the disposal of a subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

15. TRADE AND OTHER PAYABLES

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

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 30 days	3,855	2,724
31 – 60 days	1,600	836
61 – 90 days	–	95
91 – 120 days	46	–
	5,501	3,655

16. 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, 2009 and 30th June, 2009	5,000,000	50,000	4,168,000	41,680
Issue of new shares pursuant to placing and subscription arrangements (note a)	–	–	830,000	8,300
Share consolidation (note b(i))	(4,000,000)	–	(3,998,400)	–
Capital reduction (note b(ii))	–	(40,000)	–	(39,984)
Increase in authorised share capital (note b(iii))	59,000,000	590,000	–	–
At 31st December, 2009 and 30th June, 2010	60,000,000	600,000	999,600	9,996

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

16. SHARE CAPITAL (CONTINUED)

Note:

- (a) On 14th August, 2009, arrangements were made for a placement to independent private investors of 830,000,000 shares of HK\$0.01 each in the Company held by Ever Achieve Enterprises Limited ("Ever Achieve"), at a price of HK\$0.068 per share representing a discount of approximately 9.33% to the closing market price of the Company's shares on 14th August, 2009.

Pursuant to a subscription agreement of the same date, Ever Achieve subscribed for 830,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.068 per share. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 17th June, 2009 and rank pari passu with other shares in issue in all respects.

- (b) At a special general meeting of the Company held on 23rd November, 2009:
- (i) every five issued and unissued shares of HK\$0.01 each was consolidated into one consolidated share of HK\$0.05;
 - (ii) the nominal value of each issued consolidated share was reduced from HK\$0.05 to HK\$0.01 by reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued consolidated share; and
 - (iii) immediately after the capital reorganisation becoming effective, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$600,000,000 by the creation of the 59,000,000,000 additional shares to rank pari passu with the existing shares in all respect.

The share consolidation took effect on 24th November, 2009 and the capital reduction and the increase in authorised share capital took effect on 18th December, 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

17. PLEDGE OF ASSETS

As at 30th June, 2010, banking facilities to the extent of HK\$3,500,000 (31.12.2009: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (31.12.2009: HK\$3,500,000).

As at 30th June, 2010, bank deposits of HK\$65,406,000 (31.12.2009: HK\$65,406,000) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

18. CONTINGENT LIABILITIES

As at 15th February, 2005, the Group disposed of certain subsidiaries, namely Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited, and provided a deed of indemnity to the purchaser up to 2012 in the amount of approximately HK\$5 million in respect of potential tax claimed by the tax authority of these subsidiaries. The directors have not received any claims from the acquirer and are of the opinion that the potential tax claims were remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the condensed consolidated financial statements of the Group.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 8 to 24, which comprises the condensed consolidated statement of financial position of Daido Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 23rd August, 2010

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2010, none of the directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of Substantial Shareholders

As at 30th June, 2010, to the best knowledge of the directors or chief executives of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Interests of Substantial Shareholders (continued)

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

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited ^(Note 1)	Beneficial owner	202,323,133	–	20.24%
Yuen Kin Wing ^(Note 1)	Interest of controlled corporation	202,323,133	–	20.24%
Bingo Chance Limited ^(Note 2)	Beneficial owner	140,000,000	–	14.01%
Elite Plan Investments Limited ^(Note 2)	Interest of controlled corporation	140,000,000	–	14.01%
Wulgar Wai Wan ^(Note 2)	Interest of controlled corporation	140,000,000	–	14.01%
Equity Capital Group Limited ^(Note 3)	Beneficial owner	62,323,132	–	6.23%
So Yiu Ming, Sunny ^(Note 3)	Interest of controlled corporation	62,323,132	–	6.23%
Lam Fung Yee, Venue ^(Note 3)	Spouse interest	62,323,132	–	6.23%
Ever Apollo Limited ^(Note 4)	Beneficial owner	14,788,000	42,068,965	5.69%
Fung Ho Sum ^(Note 4)	Interest of controlled corporation	14,788,000	42,068,965	5.69%
Wong Ka May ^(Note 4)	Spouse interest	14,788,000	42,068,965	5.69%

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued) Interests of Substantial Shareholders (continued)

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.
2. Ms. Wulgar Wai Wan is the sole ultimate beneficial owner of Bingo Chance Limited and Elite Plan Investments Limited. She is deemed to be interested in the 140,000,000 shares which are held by Bingo Chance Limited under the SFO. Ms. Wulgar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company.
3. Mr. So Yiu Ming, Sunny is the sole beneficial owner of Equity Capital Group Limited. Each of him and his spouse, Ms. Lam Fung Yee, Venue is deemed to be interested in 62,323,132 shares which are held by Equity Capital Group Limited under the SFO.
4. Other than the interest in 14,788,000 shares, Ever Apollo Limited is also deemed to have interest in the share capital of the Company in respect of 42,068,965 shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bonds under the SFO. Mr. Fung Ho Sum is the sole beneficial owner of Ever Apollo Limited. Each of him and his spouse, Ms. Wong Ka May is deemed to be interested in the shares which are held by Ever Apollo Limited under the SFO.

Save as disclosed above, as at 30th June, 2010, the directors or chief executives of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme

On 9th January, 2006, a share option scheme (the “Scheme”) was approved by the then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible participants to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme. On 9th June, 2010, the then shareholders of the Company approved to refresh the scheme mandate limit of the Scheme up to a new 10% limit.

No share option was outstanding as at 1st January, 2010 and 30th June, 2010 and no share option was granted under the Scheme during the period since adoption.

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, 2010.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

For the first half of 2010, the Board of the Directors is 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 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange, except for code provision A.4.1 of the CG Code.

Pursuant to code provision A.4.1, non-executive director should be appointed for a specific term of service. While there is no service contract was entered into between the Non-executive Director of the Company, Mr. Fung Wa Ko, and the Company for a specific term of service but his appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Bye-Laws of the Company.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

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 financial information for the six months ended 30th June, 2010 with the Directors. At the request of Audit Committee, the Group’s external auditors have carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” 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. Fung Siu Kit, Ronny and Mr. Tse Yuen Ming. Mr. Leung Chi Hung is the chairman of the Audit Committee.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Internal Controls

During the six months ended 30th June, 2010, the Company has already started the process of reviewing on the procedures of fixed assets management, bookkeeping and management account reporting in order to ensure effectiveness of the accounting system and accuracy of accounting information. In addition, the Company has also carried out the review of warehousing procedure of cold storage department and client ordering procedure of logistics services department with the aim to identify areas for improvement.

Through the review, a number of findings were identified such as insufficient control of temporary storage goods and inadequate policies for logistics services' client ordering system. The recommendations of the improvement have been brought to the attentions of the relevant departments to improve further the internal controls of the above areas and the implementation of all agreed recommendations is being followed up subsequently.

Based on the result of the review, the Board considered that the internal control system and procedures of the Group were effective and adequate.

CHANGES IN INFORMATION OF DIRECTORS

Below is the change of director's information since the date of the 2009 annual report of the Company, which is required to be disclosed pursuant to Listing Rule 13.51B(1).

Mr. Leung Chi Hung, an independent non-executive director of the Company, resigned as an independent non-executive director of Dore Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited, on 1st June, 2010.