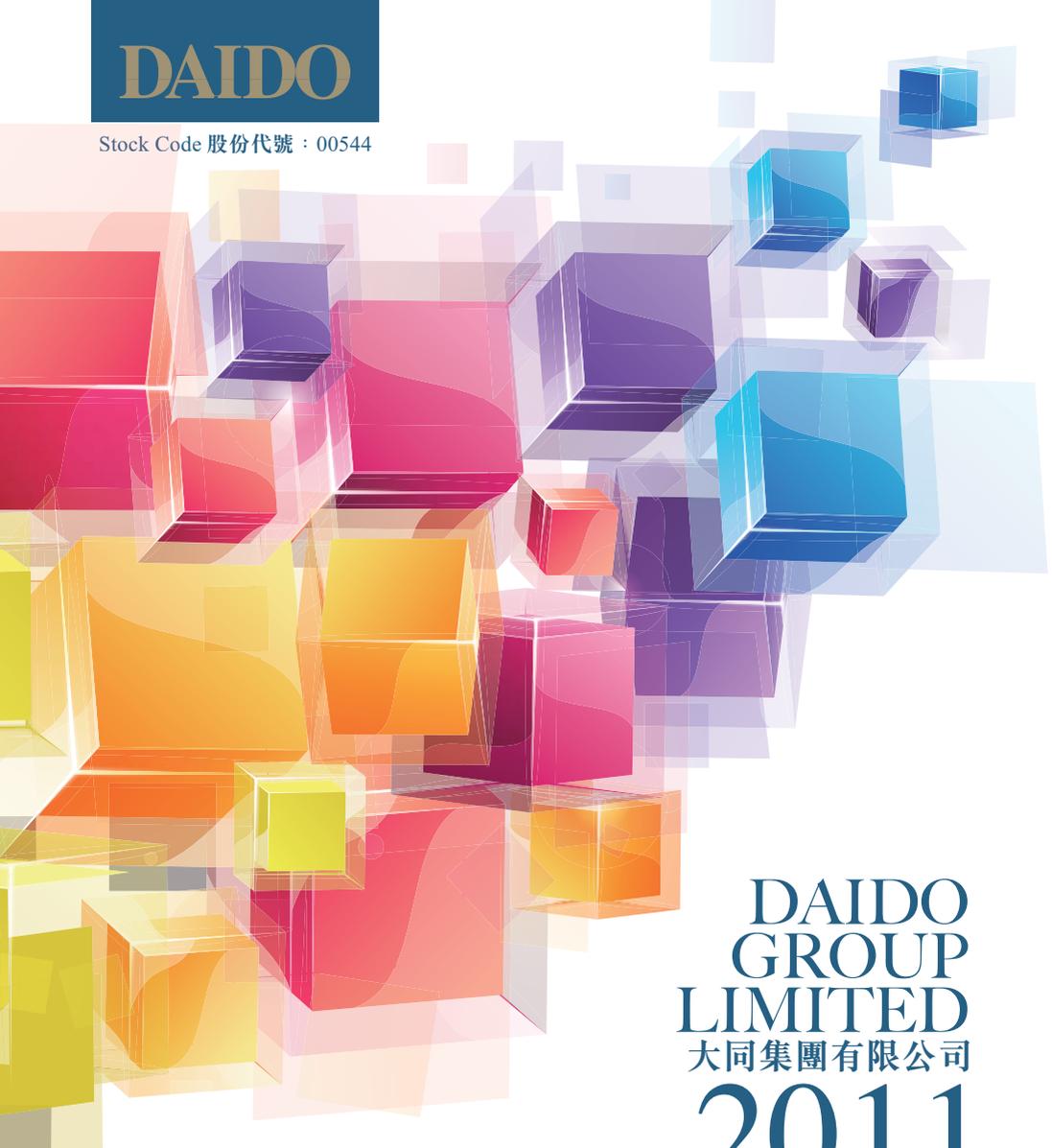




DAIDO

Stock Code 股份代號 : 00544



DAIDO  
GROUP  
LIMITED  
大同集團有限公司  
2011  
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](http://www.irasia.com/listco/hk/daido/index.htm)  
[www.daidohk.com](http://www.daidohk.com)

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
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

## OVERALL RESULTS

For the six months ended 30th June, 2011, total revenue of the Group amounted to approximately HK\$84 million, up 1.2% when compared to approximately HK\$83 million in the first half of the previous financial year.

Loss attributable to owners of the Company was approximately HK\$10 million. The loss was mainly attributable to (i) the increase in the Group's operation costs, which led to a decline in gross profit margin; and (ii) the expenses incurred for the setup of the Group's KTV business in Mainland China. Loss per share was HK0.93 cent.

The Group is principally engaged in the operations of cold storage and related services, investment holdings, as well as operation of karaoke outlets and related services ("KTV") in Mainland China.

## BUSINESS REVIEW

### Cold storage and related services

The Group's core business, cold storage and related services operation, managed to maintain stable performance during the six months ended 30th June, 2011 as the robust growth in the Hong Kong economy boosted consumers' income and confidence, supporting demand for frozen food and therefore demand for cold storage services.

During the six-month period, the Hong Kong economy extended its strong advance from 2010, with the gross domestic product ("GDP") growing robustly by 7.5% year-on-year in the first quarter and 5.1% year-on-year in the second quarter compared with the 6.8% expansion in whole year 2010, according to data from the Census and Statistics Department ("C&SD").

Meanwhile, the Group's cold storage operation also benefited from flourishing inbound and outbound trading activities, which saw a 7.9% percent increase in imports in volume terms during the first half of 2011 compared with the same period in 2010 based on data from the C&SD.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **BUSINESS REVIEW (continued)**

### **Cold storage and related services (continued)**

As a result of the favourable economic conditions, the occupancy rate of the Group's cold storages remained stable during the six month period ended 30th June, 2011 after achieving a high occupancy rate last year, driven by a surge in demand for cold storage from Hong Kong importers due to the import policy enforced by the China Government.

However, the profit margin of the cold storage operation narrowed further in the period due to a surge in operating costs stemming from higher energy cost, utilities, and maintenance fee.

The implementation of the minimum wage ordinance by the Hong Kong government also contributed to the higher operating costs of the Group as the cold storage and logistic services business are some what labour intensive.

The Group's logistics services operation, which mainly serves our cold storage customers, remained stable during the six month period. As the existing capacity of cold storage is not enough to meet demand from all customers, the Group provided logistic services to cold storage customers by helping them in transferring goods. This helped boosted the Group's overall profit margin in this business segment.

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

The Ice cubes business remained stable and is expected to continuously contribute positively to the Group's overall performance as it secures the business with an exclusive supply agreement with the buyer.

The sales of industrial ice bars were also stable during the period and are expected to grow in the future as the construction works accelerate in major infrastructure projects such as the Hong Kong-Zhuhai-Macau Bridge, the New Cruise Terminal and the Guangzhou-Shenzhen-Hong Kong Express Rail Link.

## **BUSINESS REVIEW (continued)**

### **Karaoke outlets and related services (“KTV”)**

The Group diversified its core business into KTV operation in Mainland China by setting up joint ventures in December 2010.

The KTV operation recorded an operating loss during the six months ended 30th June, 2011 as the business was still in the investment phase.

### **Investments**

For the Group’s investments in Macau, both the operating performance and the financial situation of the hotel resort operation have improved over the six month period as Macau’s inbound tourism continues to flourish.

The occupancy rate of the hotel has improved, thanks to the continuous influx of visitors, particularly mainland tourists.

Visitor arrivals in Macau totaled approximately 13.25 million in the first six months of 2011, increased by 8.3% year-on-year as compared with the approximately 12.23 million in the same period in 2010, according to data from the Macau Government Tourism Office (“MGTO”).

Visitors from the Mainland China, who are one of the major client groups of the hotel resort, jumped 14.9% year-on-year to approximately 7.48 million in the period from approximately 6.51 million in the same period in 2010, according to the MGTO.

Aside from more visitor arrivals, the occupancy rate of the hotel resort also benefited from the opening of Galaxy Entertainment Group’s Galaxy Macau, a mega entertainment complex, which attracted many tourists to the area.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

As at 30th June, 2011, banking facilities to the extent of HK\$3.5 million (31st December, 2010: HK\$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million (31st December, 2010: HK\$3.5 million).

As at 30th June, 2011, bank deposits of approximately HK\$75 million (31st December, 2010: 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.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2011, the Group had cash and bank balances of approximately HK\$176 million. (31st December, 2010: approximately HK\$154 million). The increase was mainly due to proceeds from issue of shares, proceeds on disposal of investment properties and net of cash used in operating activities. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 11% as at 30th June, 2011 (31st December, 2010: approximately 11%).

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. The Group may have relatively high exposure to exchange rate risk when more KTV outlets operating in the Mainland China. The directors will review the exchange rate risks faced by the Group periodically. During the period under review, the Group's capital expenditure was financed by internal cash generation and new shares issue.

## SHARE CAPITAL STRUCTURE

As at 31st December, 2010, the total issued share capital of the Company was HK\$9,996,000 divided into 999,600,000 ordinary shares with a par value of HK\$0.01 each.

On 30th March, 2011, the Company entered into share placing and subscription arrangements for the placement and subscription of 199,920,000 shares at HK\$0.235 each. The share placing and subscription arrangements were completed on 4th April, 2011 and 8th April, 2011 respectively. The net proceeds of HK\$46 million are used for general working capital.

For further details, please refer to the announcements of the Company dated 30th March, 2011 and 8th April, 2011.

## SHARE CAPITAL STRUCTURE (continued)

As a result of the share placing and subscription arrangements, the total issued share capital of the Company was HK\$11,995,200 divided into 1,199,520,000 ordinary shares with a par value of HK\$0.01 each as at 30th June, 2011.

## EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2011, the total number of employees of the Group in Hong Kong and Mainland China was 316 (31st December, 2010: 271 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

Looking ahead into the future, the Management is generally optimistic about the prospects for the Group's operations as the Hong Kong economy continues to grow and the inbound tourism in Macau remains boom.

The performance of the Group's cold storage business is expected to remain steady in the foreseeable future as the supply of cold storage in Hong Kong remains stable while demand for frozen food is likely to continue to steadily grow, driven by strong consumer confidence amidst robust economic growth and a favourable job market.

The Hong Kong economy is forecasted to expand 5%-6% in whole year 2011 after growing 7.2% year-on-year in the first quarter and 5.1% year-on-year in the second quarter, far exceeding the average annual growth of 4.0% over the past ten years, the Hong Kong government said in a statement on 12 August, 2011.

Increased economic activities helped improve the job market in Hong Kong, which saw the seasonally adjusted unemployment rate dropping to 3.5% in the three months ended June 2011 from 4.6% in the same period of 2010, according to latest data from C&SD.

Riding on the strong economic expansion and the favourable job market, Hong Kong's consumer confidence strengthened further over the first several months of 2011, with the headline consumer confidence index ("CCI") surging by 8 points in the first quarter of 2011 to 107 index points, to reach its highest level in 2.5 years, according to the latest Nielsen Company's Global Consumer Confidence Survey.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROSPECTS (continued)

Strong consumer confidence contributed to the healthy growth in Hong Kong's private consumption expenditure which grew by 7.6% in the first quarter in real terms over a year earlier, according to data from the C&SD.

However, the Management concerns about rising operating costs, particularly the labour costs, which may put further pressure on the profit margins of the cold storage business.

The outlook for sales of ice cubes and industrial ice bars also remains positive as construction works on a number of large-scale public infrastructure projects, including the Hong Kong-Zhuhai-Macau Bridge, the New Cruise Terminal at Kai Tak, the MTR Kwun Tong Line Extension, the MTR South Island Line (East) and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, have commenced and are expected to last several years.

The prospect for the Group's investment in the hotel and resort operation in Macau remains positive amidst the flourishing inbound tourism.

The anticipated opening of more large-scale entertainment complexes in Macau's Cotai Strip following the opening of Galaxy Entertainment Group's mega entertainment resort Galaxy Macau in May 2011 is likely to attract more visitors to the area, benefiting nearby businesses including the Grand Waldo Hotel.

The China economy has recorded its prosperous growth since the success of the 11th Five-Year Plan (2006-2010). The growth momentum remains strong in the current 12th Five-Year Plan (2011-2015) period. In 2011, the China GDP surged robustly by 9.7% year-on-year in the first quarter and 9.5% year-on-year in the second quarter, according to the data from National Bureau of Statistics of China.

Therefore, the Management sees bright prospects for the KTV business in Mainland China while the first KTV outlet in Beijing is scheduled to start test-run operation by the fourth quarter of 2011. The Group had secured three more outlets in Shanghai recently. The Group will further expand the business by opening more outlets in Beijing, Shanghai and other cities in the provinces of Jiangsu, Zhejiang and Hunan.

While striving to grow the Group's existing operations, the Management will continuously seek new investment opportunities with the aim of maximizing shareholders' value.

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	NOTES	Six months ended	
		30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
Revenue	3	<b>83,728</b>	82,719
Direct costs		<b>(75,136)</b>	(72,214)
Gross profit		<b>8,592</b>	10,505
Other income	4	<b>3,687</b>	2,987
Other gains and losses	5	<b>67</b>	2,036
Selling and distribution expenses		<b>(2,272)</b>	(2,063)
Administrative expenses		<b>(11,700)</b>	(10,095)
Other operating expenses		<b>(4,973)</b>	–
Finance costs	6	<b>(3,539)</b>	(3,534)
Loss before tax	7	<b>(10,138)</b>	(164)
Tax (charge) credit	8	<b>(27)</b>	53
Loss for the period and total comprehensive loss for the period attributable to owners of the Company		<b>(10,165)</b>	(111)
Loss per share – basic and diluted	10	<b>HK(0.93) cent</b>	HK(0.01) cent

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2011

	NOTES	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	18,934	20,689
Goodwill		8,836	8,513
Available-for-sale investments		88,920	88,920
Financial assets fair value through profit or loss		7,390	7,767
Loans to an investee	12	66,107	63,412
Prepayment for acquisition of property, plant and equipment		–	70
Rental deposits paid		18,804	16,352
Pledged bank deposits		78,717	68,906
		<b>287,708</b>	274,629
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	60,756	41,528
Investments held-for-trading		770	–
Bank balances and cash		176,339	153,561
		<b>237,865</b>	195,089
Assets classified as held for sale	14	–	19,500
		<b>237,865</b>	214,589
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	20,283	23,254
Tax payable		7	39
Obligations under finance leases		154	148
Convertible bonds		24,040	23,096
Promissory notes		4,934	4,762
		<b>49,418</b>	51,299
<b>NET CURRENT ASSETS</b>			
		<b>188,447</b>	163,290
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>476,155</b>	437,919

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2011

	<i>NOTES</i>	<b>30.6.2011</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2010 HK\$'000 (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>11,995</b>	9,996
Share premium and reserves		<b>409,042</b>	375,126
Equity attributable to owners of the Company		<b>421,037</b>	385,122
Non-controlling interest		<b>9,821</b>	8,120
		<b>430,858</b>	393,242
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		<b>393</b>	471
Amount due to a non-controlling shareholder of a subsidiary		<b>24,594</b>	24,594
Promissory notes		<b>19,982</b>	19,284
Deferred tax liabilities		<b>328</b>	328
		<b>45,297</b>	44,677
		<b>476,155</b>	437,919

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Convertible	Total HK\$'000	Non-	Total HK\$'000
					bond equity reserve HK\$'000		controlling interest HK\$'000	
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
At 1st January, 2011 (audited)	9,996	172,770	39,984	154,225	8,147	385,122	8,120	393,242
Loss for the period representing total comprehensive loss for the period	-	-	-	(10,165)	-	(10,165)	-	(10,165)
Shares issued	1,999	44,982	-	-	-	46,981	-	46,981
Transaction costs attributable to issue of shares	-	(901)	-	-	-	(901)	-	(901)
Deemed contribution on interest-free advance from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	1,701	1,701
At 30th June, 2011 (unaudited)	11,995	216,851	39,984	144,060	8,147	421,037	9,821	430,858

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES	<b>(40,361)</b>	(517)
NET CASH FROM (USED IN) INVESTING ACTIVITIES:		
Additions of property, plant and equipment	<b>(1,307)</b>	(2,189)
Acquisition of subsidiaries	<b>(392)</b>	–
Proceeds on disposal of investment properties	<b>19,000</b>	–
Other investing activities	<b>(146)</b>	715
	<b>17,155</b>	(1,474)
NET CASH FROM (USED IN) FINANCING ACTIVITIES:		
Proceeds from issue of shares	<b>46,981</b>	–
Other financing activities	<b>(997)</b>	(35)
	<b>45,984</b>	(35)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<b>22,778</b>	(2,026)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>153,561</b>	160,687
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD – represented by bank balances and cash	<b>176,339</b>	158,661

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 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 (the Listing Rules) and with Hong Kong Accounting Standard 34 (HKAS 34), Interim Financial Reporting.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards and interpretations ("new or revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

- *Improvements to HKFRSs issued in 2010*
- *HKAS 24 (as revised in 2009) Related Party Disclosure*
- *Amendments to HKAS 32 Classification of Rights Issues*
- *Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement*
- *HK(IFRIC) – Int 19 Extinguishing Financial Liabilities with Equity Instruments*

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 3. SEGMENT INFORMATION

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

	<b>Six months ended</b>	
	<b>30.6.2011</b>	30.6.2010
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue for cold storage and related services	<b>83,728</b>	82,719
Segment result for cold storage and related services	<b>606</b>	3,335
Unallocated other income	<b>3,589</b>	2,903
Change in fair value of investment properties	<b>500</b>	1,800
Fair value loss on financial assets at fair value through profit or loss	<b>(377)</b>	–
Fair value loss on investments held-for-trading	<b>(111)</b>	–
Central administration expenses	<b>(5,833)</b>	(4,668)
Other operating expenses	<b>(4,973)</b>	–
Finance costs	<b>(3,539)</b>	(3,534)
Loss before tax	<b>(10,138)</b>	(164)

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 or gain on disposal of investment properties, fair value loss on financial instruments, central administration and other operating 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, 2011

## 4. OTHER INCOME

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
Bank interest income	567	450
Imputed interest income from loans to an investee	2,695	2,289
Sundry income	425	248
	<b>3,687</b>	2,987

## 5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
Change in fair value of investment properties	500	1,800
Gain on disposal of property, plant and equipment	55	236
Fair value loss on financial assets at fair value through profit or loss	(377)	–
Fair value loss on investments held-for-trading	(111)	–
	<b>67</b>	2,036

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 6. FINANCE COSTS

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
Interest on obligations under finance leases	24	7
Imputed interest expense on amount due to a non-controlling shareholder of a subsidiary	1,701	1,674
Imputed interest expense on convertible bonds	944	871
Imputed interest expense on promissory notes	870	982
	<b>3,539</b>	3,534

## 7. LOSS BEFORE TAX

	Six months ended	
	30.6.2011 HK\$'000 (unaudited)	30.6.2010 HK\$'000 (unaudited)
Loss before tax for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	3,039	3,118
Other operating expenses (Note)	4,973	–

Note:

The amount mainly represents pre-operating expenses including rental expenses and staff cost incurred in the development of karaoke business in the People's Republic of China ("PRC").

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 8. TAX (CHARGE) CREDIT

	Six months ended	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax (charge) credit comprises:		
Hong Kong Profits Tax		
Overprovision in prior period	–	25
PRC Enterprise Income Tax	(27)	–
Deferred tax		
Current period	–	28
	(27)	53

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the period.

The PRC Enterprise Income Tax is calculated at the applicable tax rate of 25% for the period.

## 9. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2011 and 30th June, 2010.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 10. 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	
	30.6.2011	30.6.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share	<b>(10,165)</b>	(111)
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>1,092,381</b>	999,600

The weighted average number of ordinary shares for the six months ended 30th June, 2011 has been adjusted for share issue as disclosed in note 16.

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.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$1.4 million (six months ended 30th June, 2010: HK\$2.4 million) on additions of property, plant and equipment for upgrading compartments for freezer storage and operating use.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 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, 2011, the Group recognised interest income of HK\$2,695,000 (six months ended 30th June, 2010: HK\$2,289,000).

At 30th June, 2011, 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.

## 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, of HK\$34,286,000 (31.12.2010: HK\$33,521,000) and amount due from non-controlling shareholder of a subsidiary of HK\$18,243,000 (31.12.2010: HK\$2,368,000). The amount due from non-controlling shareholder of a subsidiary represents funds held for arrangement of financing to another subsidiary, which is unsecured, interest-free and repayable on demand.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 13. TRADE AND OTHER RECEIVABLES (continued)

The aged analysis of trade receivables by invoice dates are as follows:

	30.6.2011 HK\$'000 (unaudited)	31.12.2010 HK\$'000 (audited)
0 – 30 days	13,684	15,276
31 – 60 days	10,950	11,936
61 – 90 days	5,804	6,299
91 – 120 days	3,848	7
More than 120 days	–	3
	<b>34,286</b>	33,521

## 14. ASSETS CLASSIFIED AS HELD FOR SALE

In February 2010, the Group entered into a sale and purchase agreement to dispose of its entire interest in a subsidiary of which major assets are the investment properties with carrying amount of HK\$19,500,000 as at 31st December, 2010 at the consideration of HK\$20,000,000 (subject to adjustment).

In February 2011, the Group entered into a supplemental agreement to dispose only the investment properties of the subsidiary at a consideration of HK\$20,000,000. The transaction was completed on 31st May, 2011.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$4,750,000 (31.12.2010: HK\$5,218,000) and amount due to non-controlling shareholder of a subsidiary of HK\$6,317,000 (31.12.2010: HK\$6,958,000). The amount due to non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

The aged analysis of trade payables by invoice dates are as follows:

	<b>30.6.2011</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2010 HK\$'000 (audited)
0 – 30 days	<b>3,829</b>	3,646
31 – 60 days	<b>666</b>	1,487
61 – 90 days	<b>163</b>	85
91 – 120 days	<b>92</b>	–
	<b>4,750</b>	5,218

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 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, 2010, 30th June, 2010 and 31st December, 2010	60,000,000	600,000	999,600	9,996
Issue of new shares pursuant to placing and subscription arrangements (Note)	–	–	199,920	1,999
At 30th June, 2011	60,000,000	600,000	1,199,520	11,995

### Note:

On 30th March, 2011, arrangements were made for a placement to independent private investors of 199,920,000 shares of HK\$0.01 each in the Company held by the existing shareholder, Ever Achieve Enterprises Limited (“Ever Achieve”), at a placing price of HK\$0.235 per share representing a discount of approximately 18.97% to the closing market price of the Company’s shares on 30th March, 2011. The placement was completed on 4th April, 2011.

Pursuant to a subscription agreement of 30th March, 2011, Ever Achieve subscribed for 199,920,000 new shares of HK\$0.01 each in the Company at a subscription price of HK\$0.235 per share. The subscription was completed on 8th April, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 9th June, 2010 and rank pari passu with other shares in issue in all respects.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 17. PLEDGE OF ASSETS

As at 30th June, 2011, banking facilities to the extent of HK\$3,500,000 (31.12.2010: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (31.12.2010: HK\$3,500,000).

As at 30th June, 2011, bank deposits of HK\$75,217,000 (31.12.2010: 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.

During the period ended 30th June, 2011, two subsidiaries of the Group have dispute with a customer over the handling of the customer's goods. As against the two subsidiaries, the customer has alleged that in the course of business, certain goods to which it claims ownership were not delivered on demand, and claimed damages of goods amounting to EUR230,257 (approximately HK\$2,591,312) and compensation for other losses. The Group are strongly resisting this claim. In the opinion of the directors, the potential liability, if any, will not be significant to the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

## 19. AFTER THE DATE OF THE INTERIM PERIOD

On 12th July, 2011, arrangements were made for a placement to independent private investors of 239,900,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.199 per share representing a discount of approximately 17.08% to the closing market price of the Company's shares on 12th July, 2011. The placement was completed on 21st July, 2011. The proceeds were used to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 27th May, 2011 and rank pari passu with other shares in issue in all respects.

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED

### Introduction

We have reviewed the interim financial information set out on pages 9 to 25, which comprises the condensed consolidated statement of financial position of Daido Group Limited (the “Company”) and its subsidiaries as of 30th June, 2011 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 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 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, 22nd August, 2011

## OTHER INFORMATION

### DISCLOSURE OF INTERESTS

#### Interests of Directors

As at 30th June, 2011, 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, 2011, 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	Percentage of total issued share capital
Ever Achieve Enterprises Limited <sup>(Note 1)</sup>	Beneficial owner	202,323,133	14.05%
Yuen Kin Wing <sup>(Note 1)</sup>	Interest of controlled corporation	202,323,133	14.05%
Bingo Chance Limited <sup>(Note 2)</sup>	Beneficial owner	140,000,000	9.73%
Elite Plan Investments Limited <sup>(Note 2)</sup>	Interest of controlled corporation	140,000,000	9.73%
Wulglar Wai Wan <sup>(Note 2)</sup>	Interest of controlled corporation	140,000,000	9.73%

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. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company. Ms. Wulglar Wai Wan is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in the 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 30th June, 2011, 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, 2011 and 30th June, 2011 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, 2011.

### **CORPORATE GOVERNANCE**

#### **Code on Corporate Governance Practices**

For the first half of 2011, 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.

### **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, 2011 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**

The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least one time regularly a week to review the financial and operating performance of each department.

The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

The Company has already started to setup the Group's KTV business in Mainland China during the period under review. In this new business division, the Group would also adopt a series of operation procedures and internal control policies to avoid any deficiency.

During the six months ended 30th June, 2011, the Board was satisfied that the internal control system is effective and that nothing has come to its attention to cause the Board to believe the Group's internal control system is inadequate. Moreover, the system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

### **CHANGES IN INFORMATION OF DIRECTORS**

Below is the change of director's information since the date of the 2010 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 Temujin International Investments Limited, a company listed on The Stock Exchange of Hong Kong Limited, on 11th April 2011.