



DAIDO

Stock Code 股份代號: 00544

DAIDO
GROUP LIMITED
大同集團有限公司

2017
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

Non-executive Director

Mr. Fung Wa Ko

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

Nomination Committee

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

Remuneration Committee

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

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

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

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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.
China Construction Bank (Asia)
Corporation Limited
The Bank of East Asia, 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
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong



MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2017, total revenue of the Group amounted to approximately HK\$130.8 million, a decrease of about 9.5%, compared to approximately HK\$144.5 million from the previous year.

During the current interim period, the Group recorded a loss of approximately HK\$17.8 million, compared to the loss of approximately HK\$12.5 million for the corresponding period in 2016. Loss per share was HK0.73 cents.

The losses were mainly attributed to a significant and unexpected drop in the turnover of the Group's cold storage business during the first half of the year, especially in storage volume and inventory turnover. As the Group's cold storage business is complementary to its logistics business, the latter was also affected.

The Group is principally engaged in cold storage and related business in Hong Kong; trading and related business in the PRC, provision of money lending services in Hong Kong and investment holding.

BUSINESS REVIEW

Cold storage and related business

Cold storage

Cold storage continued to be a core business segment of the Group. Owing to rising operational costs, its warehousing rentals were adjusted upwards in the first half of the year. During the same period, the Group saw the turnover of this business segment decreased, with a substantial drop in occupancy level, inventory volume and turnover. Traditionally, the market demand for cold storage warehousing services is lower during the first half of the year.

Logistics

Logistics services are provided by the Group to mainly serve the needs of its cold storage warehousing customers. Corresponding to a decline in the Group's cold storage segment, the business of its logistics services was adversely affected as well.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Cold storage and related business (continued)

Industrial ice bars (for construction use)

The Group's industrial ice bars segment performed below expectations in the first six months. Frequent rains during the period dampened the demand for these products, which are primarily used for cooling purposes in construction projects, along with stiffer competition from an increased supply of crushed tube ice in the market. Traditionally, demand is also lower in the first half of the year, characterised by cooler months.

As industrial ice bars are not the Company's core business, their revenue contributions remain minimal. However, the Group is optimistic that the performance of this segment will improve over the remaining months of the year.

Trading and related business in the PRC

The Group has continued to supply supermarkets and convenient stores in the PRC with a range of dairy items, fruit juice products and traditional Korean snacks. Despite the higher sales volume, the Management efforts to contain its increasing operational costs and counter the growing market competition are necessary.

Money lending business

The Group has continued to provide loans for its cold storage clients and other customers in need of financial support. Building on the stable performance of this segment, the Management is identifying new target clients and money lending opportunities, on both a long and short-term basis.

PLEDGE OF ASSETS

As at 30th June, 2017, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK\$3.5 million (31st December, 2016: HK\$3.5 million) of the Group were secured by bank deposits amounting to HK\$3.5 million (31st December, 2016: HK\$3.5 million). The amount utilised at 30th June, 2017 was approximately HK\$3.5 million (31st December, 2016: approximately HK\$3.5 million).

As at 30th June, 2017, bank deposits of approximately HK\$99.5 million (31st December, 2016: approximately HK\$86.5 million) are pledged to a bank, which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, the Group's obligations under finance leases were secured by the lessors' charge over the leased assets with carrying value of approximately HK\$3.0 million (31st December, 2016: approximately HK\$3.8 million).



MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2017, the Group had cash and bank balances of approximately HK\$106.5 million (31st December, 2016: approximately HK\$156.1 million). The decrease was mainly due to increase in loan receivables and cash used in increase in pledged bank deposits.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 42.4% as at 30th June, 2017 (31st December, 2016: approximately 39.6%). The increase of the gearing ratio was insignificant.

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 trading business to be operated in the PRC. The directors will review the exchange rate risks faced by the Group periodically.

During the current interim period, the Group's capital expenditure was mainly financed by finance leases and internal resources.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 30th June, 2017, it is noted that the bonds in an aggregate principal amount of HK\$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31st December, 2016.

SHARE CAPITAL STRUCTURE

As at 30th June, 2017, the total issued share capital of the Company was HK\$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31st December, 2016.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2017, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 240 and 70 respectively (31st December, 2016: approximately 240 Hong Kong employees; 70 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

The Group remains confident that its cold storage business will improve in the imminent future, looking beyond the temporary setbacks experienced earlier in the year. On the one hand, the Hong Kong economy grew 4.3% in the first quarter, the fastest in six years, boosted by the buoyant stock market, increased trade, a thriving property sector, and an encouraging global economic outlook. Equally robust is the Chinese economy, which expanded at a faster-than-expected 6.9% in the first quarter, well above the government's target of around 6.5% for the full year.

On the other hand, 95% of the food consumed in Hong Kong is imported and local demand for frozen foodstuff and beverage items, along with other merchandise requiring refrigeration, has been rising. Furthermore, the latest study carried out by the Department of Health revealed that more than 40% of Hong Kong people eat out for lunch at least five days a week.

All these favorable developments herald a likely recovery for not only the Group's core businesses in cold storage warehousing and logistics services, but the rest of its business interests as well.

Cold storage and related business

Cold storage

Unabated demand for perishable merchandise, especially meat and seafood, will continue to drive business growth of this segment. Determined to tap the burgeoning cold warehousing market, the Group is currently making efforts to improve operational efficiency of its temperature controlled storage facilities and generate a higher turnover.

Traditional demand for cold storage space is higher in the second half of the year, with more major year-end festivals that encourage more people to dine out and attract higher numbers of inbound tourists. The latest government figures reveal that overall visitor numbers rose 8.8%. It was higher for mainland visitors, who account for almost three quarters of the total, at 10.4%. The rise was even more pronounced for tourists from neighboring Asian countries. That figure was up 11.5%, thanks to large influxes from Japan and South Korea, according to data from the Immigration Department. With this positive macro environment unfolding, the Group confidently believes its cold storage business will pick up in the coming months.

Industrial ice bars (construction use)

Performance of the Group's industrial ice bars business is expected to improve in the second half of the year, when the onset of hot summer months will spur demand from the construction sector. The ongoing and upcoming mega public infrastructure projects, such as the Zhuhai-Macau bridge link and the large-scale housing program that totals 480,000 units over 10 years, are expected to sustain Hong Kong's construction industry workload at its current level. All these projects will create business opportunities for our industrial ice bars segment. But rising operational costs and increasing competition from suppliers of crushed tube ice will present challenges to the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

Trading and related business in the PRC

The Group launched its trading and related business in the PRC as a diversification move. While this segment is still under development, the Group has not lost sight of the immense potential of the PRC consumer market and its growing demand for imported snacks.

As consumers continue to look for new and different flavor experiences, international snacks have become a sector that many consumers are gravitating towards. According to a recent market research report, as many as 4 in 10 (42%) urban Chinese consumers are interested in buying imported products they have never tried before across a variety of purchase channels, including supermarkets and convenience stores. The Group has constantly sought to expand its distribution network and product variety such probiotics drinks, yogurt and traditional Korean snacks in the major Chinese cities.

Money lending business

Though the regulatory environment for the money lending business in Hong Kong remains stringent, the Group will seize every opportunity to benefit from this lucrative market. According to recent monetary statistics released by the government, Hong Kong dollar loans grew at a faster pace than Hong Kong dollar deposits and in the second quarter of 2017, loans for use in Hong Kong (including trade finance) expanded by 5.2% after growing by 4% in the previous quarter. This positive trend offers promising prospects for our money lending segment to grow further.

In order to accelerate the Group's penetration into the market, it intends to broaden its customer base beyond the group of cold storage customers that it currently serves, combined with plans to strengthen its brand name and raise customer awareness through various business development initiatives. The Group will continue to develop its money lending business by retaining credit control measures and strategies to achieve a healthy balance between business growth and risk management.



MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

The Group affirms the importance of its cold storage and logistics businesses as the core segments. Under its corporate strategy, a primary focus will be placed on improving the sustainable performance of its overall business portfolio, which, besides the core segments highlighted, also includes the industrial ice bars, money lending as well as the PRC-based trading and related businesses.

Constant efforts are made to uncover new business opportunities and developments for the Group to capitalise on in Hong Kong and mainland China. With regard to its cold storage and related businesses, the ongoing priority is to ensure a high level of operational efficiency, the successful retention of quality customers and achievement of a high turnover rate. Providing a one-stop range of quality cold storage and other types of warehousing facilities to be supplemented the logistics services we provide, from transportation to distribution, container hauling and devanning, underlines our business model.

Concurrent with our initiatives to maintain the profit margin of our core business, we also set out to augment our food trading activities through a range of market penetration strategies. Our efforts to expand our product categories and network for their distribution on the mainland are undertaken in alignment with the evolving market needs. The Management is confident that with the flexible and dynamic business strategies enforced and greater operational experience and insights gained in the PRC market, our trading business will eventually contribute to the Group's long-term turnover and revenue.

As one of Hong Kong's leading cold storage providers, it is our vision to continually bolster our core business, with a commitment to improving the financial and operational performance of our trading segment on the mainland. We would like to express our heartfelt appreciation to our shareholders for their staunch support and pledge to maximise their returns.



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	NOTES	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Revenue	3	130,823	144,527
Direct costs		(118,918)	(117,556)
Gross profit		11,905	26,971
Other income	4	615	335
Selling and distribution expenses		(5,520)	(7,344)
Administrative expenses		(21,885)	(21,063)
Other gains and losses	5	115	(157)
Share of loss of a joint venture		–	(7,947)
Finance costs	6	(3,049)	(3,267)
Loss before tax		(17,819)	(12,472)
Taxation	7	–	–
Loss for the period	8	(17,819)	(12,472)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(152)	(9)
Total comprehensive expense for the period		(17,971)	(12,481)



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	NOTES	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		(17,819)	(12,472)
Non-controlling interests		-	-
		(17,819)	(12,472)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(17,971)	(12,481)
Non-controlling interests		-	-
		(17,971)	(12,481)
Loss per share — basic	10	HK(0.73) cents	HK(0.51) cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2017

	NOTES	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	8,380	10,555
Goodwill		8,581	8,581
Available-for-sale investment	12	38,502	38,502
Rental deposits paid		25,027	21,782
Pledged bank deposits		102,975	90,005
Loan receivables	13	16,381	31,000
		199,846	200,425
CURRENT ASSETS			
Inventories		1,063	738
Trade and other receivables, deposits and prepayments	14	48,300	64,168
Loan receivables	13	53,016	10,893
Amount due from non-controlling interests of a subsidiary		9,760	9,760
Held for trading investments		819	702
Bank balances and cash		106,519	156,060
		219,477	242,321
CURRENT LIABILITIES			
Trade and other payables	15	26,956	31,429
Amount due to an investee		39,042	39,042
Obligations under finance leases		1,316	1,853
		67,314	72,324
NET CURRENT ASSETS		152,163	169,997
TOTAL ASSETS LESS CURRENT LIABILITIES		352,009	370,422



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2017

	NOTES	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	24,323	24,323
Share premium and reserves		212,320	230,291
Equity attributable to owners of the Company		236,643	254,614
Non-controlling interests		14,923	14,923
		251,566	269,537
NON-CURRENT LIABILITIES			
Obligations under finance leases		443	885
Bonds	17	100,000	100,000
		100,443	100,885
		352,009	370,422



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Attributable to owners of the Company					Non-controlling		Total
	Share capital	Share premium	Capital reserve	Accumulated losses	Translation reserve	Total	interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2016 (audited)	24,323	374,226	39,984	(170,332)	(578)	267,623	14,923	282,546
Loss for the period	-	-	-	(12,472)	-	(12,472)	-	(12,472)
Exchange differences arising on translation	-	-	-	-	(9)	(9)	-	(9)
Total comprehensive expense for the period	-	-	-	(12,472)	(9)	(12,481)	-	(12,481)
At 30th June, 2016 (unaudited)	24,323	374,226	39,984	(182,804)	(587)	255,142	14,923	270,065
At 1st January, 2017 (audited)	24,323	374,226	39,984	(182,659)	(1,260)	254,614	14,923	269,537
Loss for the period	-	-	-	(17,819)	-	(17,819)	-	(17,819)
Exchange differences arising on translation	-	-	-	-	(152)	(152)	-	(152)
Total comprehensive expense for the period	-	-	-	(17,819)	(152)	(17,971)	-	(17,971)
At 30th June, 2017 (unaudited)	24,323	374,226	39,984	(200,478)	(1,412)	236,643	14,923	251,566

Note: On 24th November, 2009, every five issued and unissued existing shares of HK\$0.01 each in share capital of the Company was consolidated into one consolidated share of HK\$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK\$0.05 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.04 on each issued consolidated share (the "Capital Reduction"). The credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Six months ended	
	30.6.2017 HK\$'000 (unaudited)	30.6.2016 HK\$'000 (unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(31,980)	5,057
NET CASH USED IN INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(254)	(971)
Placement of pledged bank deposits	(12,970)	-
Interest received	443	287
	(12,781)	(684)
CASH USED IN FINANCING ACTIVITIES:		
Payment of obligations under finance leases	(979)	(951)
Interest paid	(3,649)	(3,694)
	(4,628)	(4,645)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,389)	(272)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	156,060	125,214
Effect of foreign exchange rate changes	(152)	(9)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	106,519	124,933



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 “Stock Exchange”).

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

The application of the above amendments to 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation or assessment of segment performance focuses on types of services delivered or provided. No operating segment identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating Segments" are as follows:

1. Cold storage and related services in Hong Kong ("Cold storage and related services")
2. Trading and related services in the People's Republic of China (the "PRC") ("Trading and related services")
3. Money lending services in Hong Kong ("Money lending services")



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments.

Six months ended 30.6.2017 (unaudited)

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	100,683	27,282	2,858	130,823
Segment (loss) profit	(5,829)	(4,510)	830	(9,509)
Unallocated income				615
Unallocated expenses				(5,993)
Change in fair value of held for trading investments				117
Finance costs				(3,049)
Loss before tax				(17,819)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

3. SEGMENT INFORMATION (continued)

Six months ended 30.6.2016 (unaudited)

	Cold storage and related services HK\$'000	Trading and related services HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	112,724	27,312	4,491	144,527
Segment profit (loss)	7,683	(5,776)	1,440	3,347
Unallocated income				335
Unallocated expenses				(4,776)
Change in fair value of held for trading investments				(164)
Share of loss of a joint venture				(7,947)
Finance costs				(3,267)
Loss before tax				(12,472)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administration costs including partly auditor's remuneration and directors' remuneration, change in fair value of held for trading investments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision makers and the executive directors, for the purposes of resource allocation and performance assessment.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
SEGMENT ASSETS		
Cold storage and related services	78,220	91,273
Trading and related services	10,686	11,740
Money lending services	69,413	41,906
Total segment assets	158,319	144,919
Unallocated assets	261,004	297,827
Consolidated assets	419,323	442,746
SEGMENT LIABILITIES		
Cold storage and related services	16,822	20,459
Trading and related services	6,750	8,493
Money lending services	70,223	44,111
Total segment liabilities	93,795	73,063
Unallocated liabilities	73,962	100,146
Consolidated liabilities	167,757	173,209

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

4. OTHER INCOME

	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Bank interest income	443	287
Sundry income	172	48
	615	335

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Change in fair value of held for trading investments	117	(164)
(Loss) gain on disposals of property, plant and equipment	(2)	7
	115	(157)



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

6. FINANCE COSTS

	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Interest on obligations under finance leases	49	94
Imputed interest expense on promissory notes	–	173
Interest on bonds	3,000	3,000
	3,049	3,267

7. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits Tax and EIT is required as the individual companies comprising the Group either incurred a loss or had tax losses offset the assessable profits.

8. LOSS FOR THE PERIOD

	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging the following item:		
Depreciation of property, plant and equipment	2,427	2,644

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. LOSS PER SHARE

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

	Six months ended 30.6.2017 HK\$'000 (unaudited)	Six months ended 30.6.2016 HK\$'000 (unaudited)
Loss for the purpose of basic loss per share, attributable to owners of the Company	(17,819)	(12,472)
	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,432,304	2,432,304

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for the period ended 30th June, 2017 and 2016.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased approximately HK\$254,000 (for the six months ended 30th June, 2016: HK\$971,000) on additions of property, plant and equipment.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

12. AVAILABLE-FOR-SALE INVESTMENT

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Unlisted shares, at cost	149,120	149,120
Less: Impairment	(110,618)	(110,618)
	38,502	38,502

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"). The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate nor appoint any director to the board of directors of Richbo and accordingly, the investment is not classified as associate.

The available-for-sale investment represents an effective 6% equity interest in an unlisted company incorporated in Macau. On 4th May, 2013, the indirectly owned investee, which held the hotel resort complex operation in Macau, and its major shareholder entered into an assets purchase agreement with some subsidiaries of Galaxy Entertainment Group Limited, an independent third party and a listed company on the Main Board of the Stock Exchange, to dispose of the underlying properties of hotel resort complex and other assets in some subsidiaries of its major shareholders at a cash consideration of HK\$3,250,000,000. The disposal of these assets was completed on 17th July, 2013. The first payment for the disposal of HK\$2,600,000,000 was received on 17th July, 2013 and the second payment of HK\$650,000,000 was received on 16th January, 2015.

The Group re-assessed the recoverable amount of the available-for-sale investment with reference to the latest financial information of Richbo. No further impairment loss was recognised for the period ended 30th June, 2017 and the year ended 31st December, 2016.

The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

13. LOAN RECEIVABLES

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Secured loans	40,657	15,037
Unsecured loans	28,740	26,856
	69,397	41,893
Less: Amount due within one year and classified under current assets	(53,016)	(10,893)
Amount due after one year	16,381	31,000

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK\$40,657,000 (31st December, 2016: HK\$15,037,000). The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. The remaining loan receivables are unsecured.

Secured loan receivables carry fixed-rate interests ranged from 11% to 12% (31st December, 2016: at 11%) per annum and with maturity of 1 to 3 years (31st December, 2016: 3 years). Unsecured loan receivables carry fixed-rate interests ranging from 11% to 15% (31st December, 2016: 11% to 12%) per annum and with maturity of 6 months to 3 years (31st December, 2016: 9 months to 3 years). All amounts of principal will be receivable on respective maturity dates.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK\$42,373,000 (31st December, 2016: HK\$58,484,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates, which approximate the respective revenue recognition dates.

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
0-30 days	22,062	24,411
31-60 days	14,483	18,990
61-90 days	5,721	8,972
91-120 days	9	6,091
More than 120 days	98	20
	42,373	58,484

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$8,717,000 (31st December, 2016: HK\$10,142,000).

The following is an aged analysis of trade payables presented based on the invoice dates.

	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
0-30 days	5,870	5,609
31-60 days	1,744	1,679
61-90 days	58	323
91-120 days	171	1,023
More than 120 days	874	1,508
	8,717	10,142

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

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, 2016, 30th June, 2016, 31st December, 2016 and 30th June, 2017	60,000,000	600,000	2,432,304	24,323

17. BONDS

On 13th November, 2014, the Company and a placing agent entered into the placing agreement, pursuant to which the placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds in an aggregated principal amount of up to HK\$500,000,000. The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. The maturity date is the seventh anniversary of the date of issue of the relevant bond.

As at 30th June, 2017 and 31st December, 2016, interest on bonds payables at par value of HK\$100,000,000 (31st December, 2016: HK\$100,000,000) is payable annually and the principal is repayable in full upon maturity.

18. PLEDGE OF ASSETS

As at 30th June, 2017, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK\$3,500,000 (31st December, 2016: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (31st December, 2016: HK\$3,505,000). The amount utilised at 30th June, 2017 was approximately HK\$3,480,000 (31st December, 2016: approximately HK\$3,480,000).

As at 30th June, 2017, bank deposits of approximately HK\$99,475,000 (31st December, 2016: HK\$86,500,000) are pledged to a bank, which provides bank guarantees in favour of two landlords for a sum equivalent to twelve months' rent payable by the Group under tenancy agreements.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

18. PLEDGE OF ASSETS (continued)

In addition, the Group's obligation under the finance leases are secured by the lessor's charge over the leased assets amounted to HK\$2,950,000 (31st December, 2016: HK\$3,792,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value hierarchy	
	Level 1	
	30.6.2017 HK\$'000 (unaudited)	31.12.2016 HK\$'000 (audited)
Held-for-trading investments		
Equity securities listed in Hong Kong (note)	819	702

Note: The fair value of listed equity securities is determined with reference to quoted market bid price from the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost (including pledged bank deposits, loan receivables, trade and other receivables, bank balances and cash, trade and other payables, amount due from non-controlling interests of a subsidiary, amount due to an investee and bonds) in the condensed consolidated financial statements approximate their fair values.

The available-for-sale investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Daido Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 9 to 28, which comprise the condensed consolidated statement of financial position as of 30th June, 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25th August, 2017



OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2017, none of the Company's Directors or chief executives of the Company nor their respective associates had any interests and short positions in any shares, underlying shares and 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 and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to notify the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of Substantial Shareholders

As at 30th June, 2017, save as disclosed below, so far as is known to the Company's Directors and chief executives of the Company, no person (other than the Company's Director or a chief executive of the Company) had an interest or short position in any shares or underlying shares of the Company which will 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 and no person (other than the Company's Director or a chief executive of the Company), had an interest or short position in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Interests of Substantial Shareholders (continued)

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

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited ^(Note 1)	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing ^(Note 1)	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited ^(Note 2)	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited ^(Note 2)	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan ^(Note 2)	Interest of controlled corporation	140,000,000	5.76%

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. She 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.

Share Option Scheme

At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the adoption of a new share option scheme (the “2015 Scheme”) and the termination of the share option scheme which was adopted on 9th January, 2006 (the “2006 Scheme”). The 2015 Scheme became effective on 2nd June, 2015 (the “Adoption Date”) and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from 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 2015 Scheme.



OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme (continued)

No share option was outstanding as at 1st January, 2017 and 30th June, 2017 and no share option was granted under the 2015 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, 2017.

CORPORATE GOVERNANCE

Corporate Governance Code

For the first half of 2017, the Board of the Directors is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for the exceptions specified and explained below:

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period, there have been no Chairman in the Company. Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters.

The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Executive Directors. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with code provision A.2.1 of the CG Code if necessary.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the period, the Company did not comply with code provision E.1.2 of the CG Code.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Model Code for Securities Transactions by Directors

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by Directors, the terms of which are 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 “Securities Dealing Policy”).

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 Securities Dealing Policy during the period under review. 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 risk management, internal control and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 2017 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.

Risk Management and Internal Control

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the “RM and IC Systems”) of the Group and reviewing its effectiveness through the Audit Committee. The purpose of the RM and IC Systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company’s objective can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Risk Management and Internal Control (continued)

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 RM and IC Systems, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of the key operating subsidiaries. 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.

To further strengthen the risk management and internal control of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Adviser has conducted a review of and will make recommendations to improve the effectiveness of the Group's risk management and internal controls systems (the "RM and IC Review").

During the period, the Audit Committee, with the assistance of the Internal Control Adviser, reviewed the effectiveness of the cold storage and related business' RM and IC Systems in various aspects including human resources and payroll cycle, property, plant and equipment cycle and cash management and treasury cycle.

The Internal Control Adviser carried out the RM and IC Review on the above cycles and executed the RM and IC Review which involves the following tasks:

1. Conducting interviews with relevant management and staff members relating to the risk management and internal controls
2. Conducting walk-through relating to the RM and IC Review
3. Reviewing relevant documentation on site relating to the RM and IC Review
4. Identifying significant deficiencies in the design of the risk management and internal controls
5. Communicate the significant findings with the Management so as to confirm the factual accuracy of the findings

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Risk Management and Internal Control (continued)

After the RM and IC Review, the Management will provide an action plan so as to mitigate those identified deficiencies in a timely manner. All internal control findings will be properly followed up closely to ensure that the action plan is implemented accordingly.

During the six months ended 30th June, 2017, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. Moreover, the existing RM and IC Systems are effective and adequate, and will continue to be reviewed, added on or updated to provide for changes in the operating environment.