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## DAIDO GROUP LIMITED

大同集團有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 00544)

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

The board of directors (the “Board”) of Daido Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2009, together with the comparative figures for the corresponding period in 2008 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	NOTES	Six months ended	
		30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited)
Revenue		73,324	83,460
Direct costs		(65,345)	(72,692)
Gross profit		7,979	10,768
Other income	4	3,123	7,533
Selling and distribution expenses		(1,766)	(1,743)
Administrative expenses		(11,837)	(11,351)
Change in fair value of investment properties		300	-
Adjustment on loans to an investee	5	-	(4,387)
Finance costs	6	(2,987)	(3,030)
Loss before tax	7	(5,188)	(2,210)
Tax credit	8	484	187
Loss for the period and total comprehensive loss for the period attributable to owners of the Company		(4,704)	(2,023)
Loss per share - basic and diluted	10	HK(0.11) cent	HK(0.05) cent

\* For identification purpose only

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30TH JUNE, 2009

	NOTES	30.6.2009 HK\$'000 (unaudited)	31.12.2008 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties		15,800	15,500
Property, plant and equipment		25,021	25,706
Goodwill		8,513	8,513
Interest in an associate		-	-
Available-for-sale investments		88,920	88,920
Loans to an investee		56,155	53,866
Prepayment for acquisition of property, plant and equipment		-	1,428
Rental deposits paid		16,352	16,352
Pledged bank deposits		68,906	68,906
		<u>279,667</u>	<u>279,191</u>
<b>CURRENT ASSETS</b>			
Inventories		53	53
Trade and other receivables	11	33,626	34,974
Tax recoverable		217	217
Bank balances and cash		105,360	109,008
		<u>139,256</u>	<u>144,252</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	10,878	13,120
Obligations under a finance lease		13	88
Promissory notes		4,934	4,762
		<u>15,825</u>	<u>17,970</u>
<b>NET CURRENT ASSETS</b>		<u>123,431</u>	<u>126,282</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>403,098</u>	<u>405,473</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		41,680	41,680
Reserves		287,763	292,467
Equity attributable to owners of the Company		329,443	334,147
Minority interest		1,099	2
		<u>330,542</u>	<u>334,149</u>
<b>NON-CURRENT LIABILITIES</b>			
Amount due to a minority shareholder of a subsidiary		25,805	25,805
Convertible bonds		20,433	19,631
Promissory notes		26,166	25,252
Deferred tax liabilities		152	636
		<u>72,556</u>	<u>71,324</u>
		<u>403,098</u>	<u>405,473</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2009*

**1. BASIS OF PREPARATION**

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

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009.

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised) has had no impact on the reported results or financial position of the Group.

Hong Kong Financial Reporting Standard ("HKFRS") 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment. The application of HKFRS 8 has resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

The adoption of other new HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

## 2. PRINCIPAL ACCOUNTING POLICIES - continued

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
Hong Kong (IFRIC) Interpretations ("HK(IFRIC)-Int") 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK(IFRIC)-Int 18	Transfers of Assets from Customers <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2010

<sup>4</sup> Effective for transfers on or after 1st July, 2009

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a re-designation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

### 3. SEGMENT INFORMATION - continued

In prior years, primary segment information was analysed on the basis of the types of goods and services supplied by the Group into three segments including cold storage and logistics services, manufacturing and trading of ice, and property investment. However, information reported to the chief operating decision maker, the board of directors, for the purposes of resources allocation and performance assessment focuses more on the overall performance and accordingly, cold storage and logistics services and manufacturing and trading of ice are analysed into one single segment - cold storage and related services. Property investment is not regarded as an operating segment as its result is not regularly reviewed by the board of directors. There is no change in the basis of measurement of segment profit or loss and segment assets from prior years.

The reportable segment revenue from cold storage and related services contribute the entire revenue of the Group. Reconciliation of the reportable segment (loss) profit to loss before tax is as follows:

#### Reconciliation of reportable segment (loss) profit

	Six months ended	
	30.6.2009 <i>HK\$'000</i> (unaudited)	30.6.2008 <i>HK\$'000</i> (unaudited)
Reportable segment (loss) profit	(950)	2,433
Central corporate income	3,062	7,183
Change in fair value of investment properties	300	-
Adjustment on loans to an investee	-	(4,387)
Central administrative expenses	(4,613)	(4,409)
Finance costs	(2,987)	(3,030)
Loss before tax	<u>(5,188)</u>	<u>(2,210)</u>

Reportable segment (loss) profit has excluded central corporate income, change in fair value of investment properties, adjustment on loans to an investee, central administrative expenses and finance costs. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of segment performance.

#### Reportable segment assets

	30.6.2009 <i>HK\$'000</i> (unaudited)	31.12.2008 <i>HK\$'000</i> (audited)
Segment assets	<u>81,685</u>	<u>85,203</u>

#### 4. OTHER INCOME

	Six months ended	
	30.6.2009 <i>HK\$'000</i> (unaudited)	30.6.2008 <i>HK\$'000</i> (unaudited)
Bank interest income	773	1,699
Imputed interest income from loans to an investee	2,289	4,387
Sundry income	61	1,447
	<u>3,123</u>	<u>7,533</u>

#### 5. ADJUSTMENT ON LOANS TO AN INVESTEE

At 30th June, 2008, the Group re-estimated the cash flows of the remaining balance based on the management's best estimation on the expected repayment date of the loans and discounted at the original effective interest rate and the adjustment to the carrying amount of the loans to an investee amounted to HK\$4,387,000 has been charged to the condensed consolidated statement of comprehensive income.

#### 6. FINANCE COSTS

	Six months ended	
	30.6.2009 <i>HK\$'000</i> (unaudited)	30.6.2008 <i>HK\$'000</i> (unaudited)
Interest on obligations under a finance lease	2	4
Imputed interest expense on amount due to a minority shareholder of a subsidiary	1,097	1,097
Imputed interest expense on convertible bonds	802	743
Imputed interest expense on promissory notes	1,086	1,186
	<u>2,987</u>	<u>3,030</u>

## 7. LOSS BEFORE TAX

	Six months ended	
	30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited)
Loss before tax for the period have been arrived at after charging the following items:		
Depreciation of property, plant and equipment	3,782	3,120
Loss on disposal of property, plant and equipment	<u>5</u>	<u>-</u>

## 8. TAX CREDIT

	Six months ended	
	30.6.2009 HK\$'000 (unaudited)	30.6.2008 HK\$'000 (unaudited)
The tax credit comprises:		
Hong Kong Profits Tax	-	119
Deferred tax		
Current period	(484)	(251)
Attributable to change in tax rate	<u>-</u>	<u>(55)</u>
	<u>(484)</u>	<u>(187)</u>

No Hong Kong Profits Tax has been made as the Group incurred tax losses for the six months ended 30th June, 2009.

For the six months ended 30th June, 2008, Hong Kong Profits Tax was recognised based on the management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used was 16.5%.

## 9. DIVIDEND

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

The board of directors does not recommend the payment of an interim dividend for the six months ended 30th June, 2009 and 30th June, 2008.

## 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	
	30.6.2009 <i>HK\$'000</i> (unaudited)	30.6.2008 <i>HK\$'000</i> (unaudited)
Loss for the purposes of basic and diluted loss per share	<u>(4,704)</u>	<u>(2,023)</u>
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,168,000</u>	<u>4,168,000</u>

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

## 11. TRADE AND OTHER RECEIVABLES

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

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

	30.6.2009 <i>HK\$'000</i> (unaudited)	31.12.2008 <i>HK\$'000</i> (audited)
0 - 30 days	12,757	13,623
31 - 60 days	10,269	10,956
61 - 90 days	5,978	4,833
91 - 120 days	264	1,402
More than 120 days	-	545
	<u>29,268</u>	<u>31,359</u>



## 12. TRADE AND OTHER PAYABLES

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

	<b>30.6.2009</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2008 <i>HK\$'000</i> (audited)
0 - 30 days	<b>2,962</b>	3,288
31 - 60 days	<b>876</b>	1,645
61 - 90 days	<b>60</b>	383
91 - 120 days	<b>2</b>	2
	<b>3,900</b>	5,318

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL RESULTS

For the six months ended 30th June, 2009, total revenue of the Group amounted to approximately HK\$73 million, down 12% 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\$4.7 million. The loss was mainly attributable to the decrease of cold storage and related services revenue and gross profit. Loss per share was HK0.11 cent.

The Group principally engages in cold storage and related services, and some investment projects.

### BUSINESS REVIEW

#### Cold storage and related services

During the first six months of 2009, the performance of the Group's core business, cold storage services, remained steady despite all the negative impact brought by the economic downturn.

The Management's decision to convert some non-freezer compartments to freezer compartments paid off as the relatively stronger demand for freezer storage and the wider profit margins it enjoyed helped cushion the negative impact of the economic recession.

The conversion work was implemented in phases, some of which were completed in early 2009 while the rest were completed in July 2009.

Thanks to the successful conversion work of freezer storage, the Group managed to keep the high occupancy level for its cold storage warehouses albeit a lower inventory turnover rate due to the economic downturn.

Meanwhile, demand for cold storages from food wholesalers (importers and suppliers) weakened as they preferred to maintain lower inventory amid a deflationary environment caused by the economic recession, offsetting stronger demand for cold storage from the catering industry. According to the latest statistics data from the Census and Statistics Department of Hong Kong, the composite consumer prices index continued ("CPI") to slide during the first seven months of 2009, in which the year-on-year change easing from positive 3.1% in January to 0% in May, and turned to negative 1.5% in July 2009.

However, expecting the recovery of economy, it is predicted that the CPI will turn upward and the Group is confident to the ameliorating inventory turnover rate due to the anticipated boost up of stock sale. The Group is optimistic to its core business for the second half of 2009.

The logistics services, which serves most of our cold storage customers, has been aggravated by the economic downturn, weighed on revenue from this business.

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

Seasonality generally plays a role in the demand for ice. The sale of ice cubes traditionally performs better in the second half of a year as demand for ice from the food and catering industries is normally stronger in the second half than in the first half. Meanwhile, demand for industrial ice also decreased as construction activities decline.

For the Group's investment, the hotel and resort operation in Macau remained in red during the six-month period for several reasons which included the global economic downturn, a slump in the local tourism and the negative impact of travel restrictions implemented by mainland authorities on mainland visitors since May 2008.

Data from the Statistics and Census Services of Macau showed that visitor arrivals in the first six months of 2009 totaled 10,370,979, a decrease of 11.4% year-on-year. Visitors from Mainland China in the same period stood at 5,127,933, a decline of 17.3% over the same period of 2008. Mainland visitors accounted for 49.4% of the total number of visitor arrivals during the period under review. The decline in visitor arrivals aggravated the problem of oversupply of hotels and resorts in Macau, which was partly due to casino operators' aggressive expansion moves during the boom cycle earlier to grab market shares, causing fiercer competition among the market.

However, the operating results of the investment have been improving as the positive effects of cost-cutting measures implemented by the hotel management in response to the negative reversal in the operating environment have been emerging.

#### **PLEDGE OF ASSETS**

As at 30th June, 2009, banking facilities to the extent of HK\$3.1 million of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million.

As at 30th June, 2009, bank deposits of approximately HK\$65 million (31st December, 2008: 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, 2009, the Group had cash and bank balances of approximately HK\$105 million. (31st December, 2008: approximately HK\$109 million). The decrease was mainly due to the cash used in operating activities and additions of property, plant and equipment. The gearing ratio, measured as non-current borrowings over shareholder's equity was 22% as at 30th June, 2009 (31st December, 2008: 21%).

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. During the period under review, the Group's capital expenditure was financed by internal cash generation.

#### **SHARE CAPITAL STRUCTURE**

As at 30th June, 2009, there was no change in the total issued share capital of the Company, HK\$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31st December, 2008.

On 14th August, 2009, the Company entered into a share placing arrangement for the placement of 830,000,000 shares of HK\$0.068 each. The share placing arrangement was completed on 24th August,

2009 and the net proceeds from the placing arrangement was HK\$55 million, which will be used for general working capital.

As a result of the above placing arrangement, the total issued share capital of the Company increased to 4,998,000,000 ordinary shares with a par value of HK\$0.01 each at the date of this report.

For further details, please refer to the announcements of the Company dated 14th August, 2009 and 24th August, 2009.

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30th June, 2009, the total number of employees of the Group in Hong Kong was approximately 279 (31st December, 2008: 266 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.

## **PROSPECT**

The Management remains confident about the prospects for the Group's businesses despite the current challenges posed by the economic downturn as the worst has past for the global economy in general and for the Hong Kong economy in particular as indicated by latest economic indicators and market consensus.

Hong Kong's economy has technically shaken off the recession after it posted a quarter-on-quarter positive growth from April to June 2009. After four consecutive quarters of contraction following the outbreak of the global financial crisis in 2008, the rally in the economy has prompted the government to upgrade its full-year forecast to a 3.5-4.5 percent contraction from a 5.5-6.5 percent retreat estimated previously.

The Management believes that an ultimate recovery in the economy will likely create new business opportunities. To better position the Group for those expected business opportunities and expand its operations, the Management conducted a fundraising exercise by issuing new shares to raise HK\$55 million, taking advantage of the strong rally in the local equity market.

With stronger financial strength, the Group is more ready to set its sights on any accretive projects, aiming to bring favorable returns to shareholders.

### **Cold storage and related services**

The Group is particularly optimistic about the prospects for its core business as Hong Kong's ever-increasing population and future economic growth will definitely boost consumption of frozen food and therefore demand for cold storage.

The Management plans to further develop its core business, by expanding the freezer compartment capacity to meet growing demand.

Good prospect is seen for sale of industrial ice bars, as construction work on a number of large-scale public infrastructure projects will likely commence from later this year. For example, construction work on the US\$5.47 billion Hong Kong-Zhuhai-Macau Bridge is expected to start by the end of this year and will likely last for five years. Another mega infrastructure project, the New Cruise Terminal at Kai Tak, is also scheduled to commence construction work by the end of 2009, with a target of putting the first berth into operation by mid-2013. Other infrastructure projects, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Sha Tin to Central Link and the South Island Line of the MTR Corporation, the Tuen Mun Western Bypass and Tuen Mun - Chek Lap Kok Link, are also expected to start construction in coming years.

The Group considers its hotel and resort investment in Macau as a long-term investment as it still sees potential in the business despite the current headwinds faced. To fence off the headwinds, the management of the hotel and resort operation has taken measures to cut operating costs and will continue to strictly control operating expenses. Besides, after the shareholding of the investment holding company is restructured, there was new shareholders joined to the investment project, hopefully it will have new strategic planning to be implemented, the Group is optimistic for the bright future of the investment project.

Performance of investment project is expected to improve as the global economic downturn recedes gradually, sending visitors back to the gaming haven in the future.

Measures taken by the Macau government in 2008 to slow down the growth of casinos and resort facilities in the territory will likely help abate competition of the market. Meanwhile, the oversupply situation in hotels and resorts will also hopefully be eased by expected moves by mainland authorities to loosen travel restriction on mainland visitors.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2009 (2008 : Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2009.

## **CORPORATE GOVERNANCE**

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

For the first half of 2009, the Board of the Directors is of the view that the Company meets 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") as amended effective on 1st January, 2009, except for code provision A.2.1 of the CG Code concerning the requirements to separate the roles of the chairman and chief executive officer.

Pursuant to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period, the Chairman and Chief Executive Officer of the Company are performed by Mr. Fung Wa Ko.

In order to maintain the high quality of the corporate governance and comply with the CG Code requirement, Mr. Au Tat Wai has been appointed as the Chief Executive Officer of the Company on 15th September, 2009 and responsible for the day-to-day management of the Company's businesses. Mr. Fung Wa Ko remains as the Chairman of the Company and responsible to provide leadership for the Board.

## **BOARD OF DIRECTORS**

After the period under review, there were a number of changes to the Board:

- Mr. Choy Kai Sing was appointed as an executive director of the Company with effect from 13th August, 2009, and he was appointed as an authorised representative of the Company in place of Mr. Fung Wa Ko with effect from 15th September, 2009;
- Mr. Fung Siu Kit, Ronny was appointed as an independent non-executive director, the chairman of remuneration committee and the member of each of audit committee and nomination committee of the Company in place of Mr. Leung, Tsz Fung David Ferreira with effect from 13th August, 2009;
- Mr. Leung, Tsz Fung David Ferreira resigned as an independent non-executive director, the chairman of remuneration committee and the member of each of audit committee and nomination committee of the Company on 13th August, 2009;
- Mr. Fung Wa Ko was re-designated from an executive director to a non-executive director of the Company, and resigned as the Chief Executive Officer and an authorised representative of the Company, but remains to serve as the Chairman of the Company with effect from 15th September, 2009; and
- Mr. Au Tat Wai was appointed as an executive director and the Chief Executive Officer of the Company with effect from 15th September, 2009.

For further details, please refer to the announcements of the Company dated 13th August, 2009 and 15th September, 2009.

The Board currently comprises three executive directors, namely, Mr. Au Tat Wai, Mr. Tang Tsz Man, Philip and Mr. Choy Kai Sing; a non-executive director, namely Mr. Fung Wa Ko; and three independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming. The number of directors and the composition of the Board complied with relevant laws and regulatory requirements.

## **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 accounts for the six months ended 30th June, 2009 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 issued by the Hong Kong Institute of Certified Public Accountants.

Following the changes in directorships of the Company on 13th August, 2009, 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.

## **INTERNAL CONTROLS**

During the six months ended 30th June, 2009, the internal control implementation in some areas including account receivable, account payable and petty cash handling process of the major departments – such as Accounting Department and Operation Departments, which involved daily operations, have been conducted follow-up retest.

Based on the retest results, the Board was satisfied that the internal control system in such areas 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 Group will continue to retest the other internal control implementation in the second half of 2009 as well as will continue to identify and closely monitor the potential significant risks faced by the Group.

## **CHANGES IN INFORMATION OF DIRECTORS**

Below is the change of director's information since the date of the 2008 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, has been appointed as an independent non-executive director of Temujin International Investments Limited, a company listed in Hong Kong, with effect from 30th April, 2009.

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

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

The 2009 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of each of the Stock Exchange and the Company in due course.

By order of the Board of  
**Daido Group Limited**  
**Fung Wa Ko**  
*Chairman*

Hong Kong, 21st September, 2009

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Au Tat Wai, Mr. Tang Tsz Man, Philip and Mr. Choy Kai Sing; non-executive director, namely Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming.