

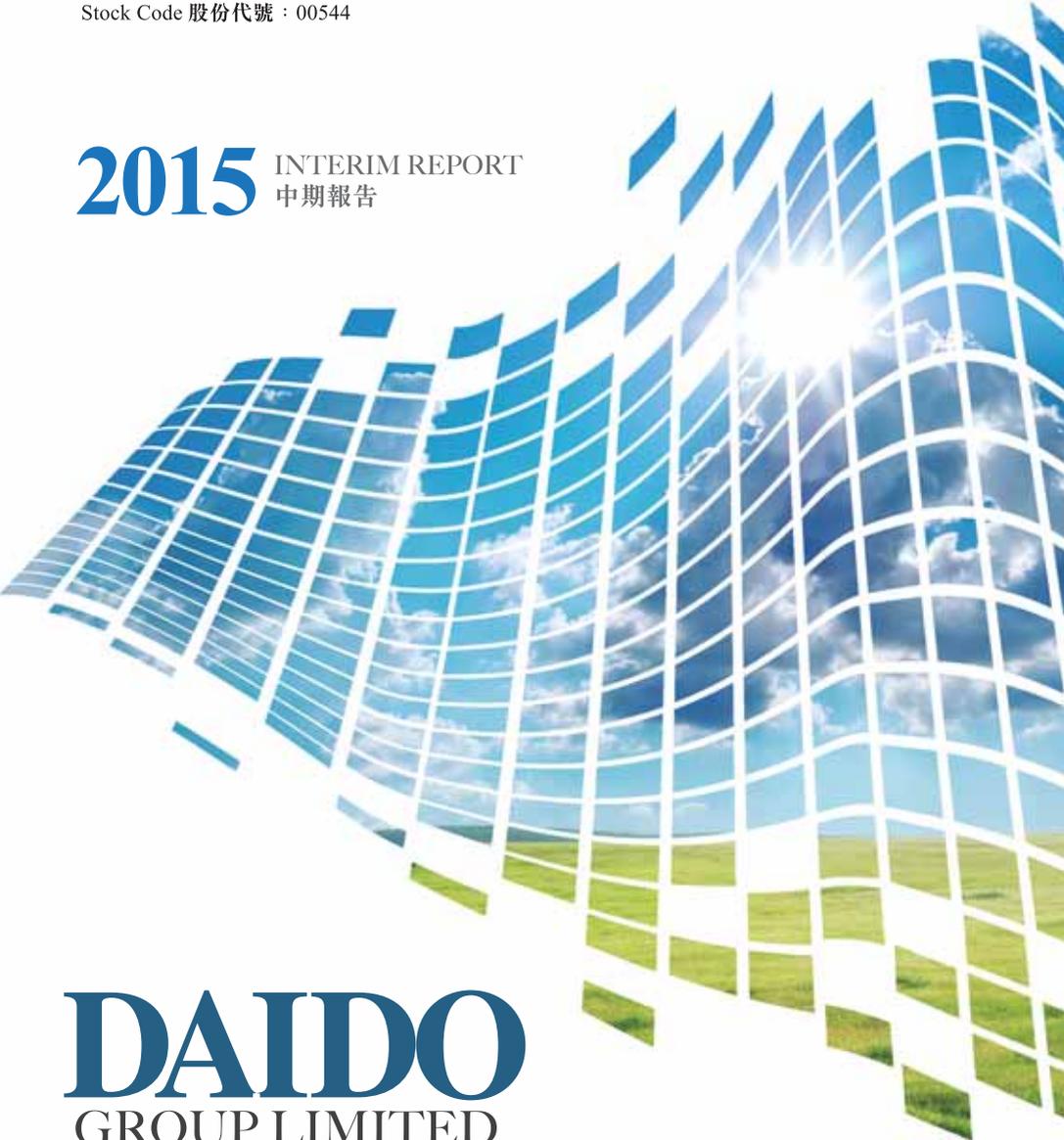


DAIDO

Stock Code 股份代號 : 00544

2015 INTERIM REPORT

中期報告



DAIDO
GROUP LIMITED
大同集團有限公司

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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

(resigned on 31st July, 2015)

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

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.

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

A18/F.

Asia Orient Tower

Town Place, 33 Lockhart Road

Wanchai

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2015, total revenue from the Group's operations amounted to approximately HK\$129 million, an increase of about 33% compared to approximately HK\$97 million in the corresponding period of 2014.

The Group's overall results improved significantly to compare with the previous year. However, this positive performance was partially offset by losses recorded in its trading operations.

Overall revenue of the Group's operation performed better than the same period of 2014. Net loss for the period attributable to owners of the Company has been reduced. During the period under review, the Group recorded a reduction in loss of approximately HK\$7 million, compared to approximately HK\$15 million from 2014. Loss per share was HK0.3 cents.

The Group believes the reduced losses could be attributed to the increased profit margin of its cold storage business, coupled with the improved performance of its trading operation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Cold storage and related business

Cold storage

As a core business of the Group, the segment continued to perform better with an increase in revenue. The rates of its cold storage warehousing rental have been adjusted upwards to reflect the higher operational costs. To sustain the segment's positive performance, the Group has implemented a strategy to configure its customer portfolio, with a view of ensuring a high inventory turnover at its warehouses.

Logistics

This segment maintained a stable performance in the first half of the year. Although the Group has increased the fee of its logistic services, there is limited room for further price increment due to keen competition in the industry.

Industrial ice bars (for construction use)

The Group saw a better performance for its industrial ice bars business in the first two quarters this year. Traditionally, these products are seasonal and subject to demand fluctuations dictated by climate, temperature and weather conditions.

Trading and related business in the PRC

During the first half of 2015, the Group broadened its product range coupled with efforts to expand its retail distribution network in the Mainland China to include more supermarkets and convenience stores. Distribution agreements were signed with the Hualian supermarket chain in Beijing and 7-Eleven franchise stores throughout southern China. The result of the Group's PRC-based trading and related business has been improved in the first-half of this financial year.

Furthermore, a joint-venture agreement with a PRC company has been endorsed to provide logistics support for the Group's trading operation. The business potential of this project will only be fully optimised when the expansion of the Group's distribution network by its continual product diversification.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (continued)

Money lending services

Since the fourth quarter of last year, the Group has started developing its money lending business, to provide financing for its cold storage customers and other customers in need of such support. Presently, this line of business is still in an initial stage of development and its revenue contributions to the Group would therefore be minimal.

PLEDGE OF ASSETS

As at 30th June, 2015, banking facilities to the extent of HK\$3.5 million (31st December, 2014: HK\$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million (31st December, 2014: HK\$3.5 million). The amount utilised at 30th June, 2015 was approximately HK\$3.5 million (31st December, 2014: approximately HK\$3.5 million).

As at 30th June, 2015, bank deposits of approximately HK\$87 million (31st December, 2014: approximately HK\$87 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, 2015, the Group had cash and bank balances of approximately HK\$151 million (31st December, 2014: approximately HK\$149 million). The slight increase was mainly due to proceeds from issue of bonds, increase in amount due to an investee, purchase of property, plant and equipment and the net cash used in operating activities. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 40% as at 30th June, 2015 (31st December, 2014: approximately 16.56%). The increase was mainly attributable to the issue of bonds.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

During the period under review, the Group's capital expenditure was mainly financed by finance leases. 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. 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, 2015, it is noted that the bonds in an aggregate principal amount of HK\$100 million have been subscribed by the places and issued by the Company.

SHARE CAPITAL STRUCTURE

As at 30th June, 2015, 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, 2014.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2015, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 250 and 50 respectively (31st December, 2014: approximately 250 Hong Kong employees; 25 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.

PROSPECTS

Despite the economic uncertainties ahead, the Group remains optimistic of its overall performance for the entire year. Our cold storage and related business is expected to generate a stable income stream, given that Hong Kong imports over 95% of its food, a significant portion of which requires refrigerated warehousing prior to retail, plus an ever-increasing local demand for fresh, perishable foodstuff due to local population growth. Both the Group's warehouses in Kwai Chung have experienced a consistently high utilisation rate, which is likely to improve further with the implementation of the management's strategy to acquire quality customers.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

On another business front, the Group is likely to benefit from the measures it has taken to strengthen its distribution network and diversify its product portfolio, with a view of improving its trading operation in Mainland China. Expanding our trading activities there would serve to reinforce our logistics business considerably.

While the Group remains confident of its prospects, it is cognizant of the challenging shifts in the external environment. According to the First Quarter Economic Report, published by the Hong Kong government, the local economy grew modestly by 2.1% in real terms during the first quarter, slightly lower than the 2.4% growth recorded in the preceding quarter, in what could be a continuing downward trend. The GDP of Mainland China is expected to slow to 6.8–7% this year, according to a forecast by the International Monetary Fund and a Reuters poll of economists from 7.4% in 2014. These and other unfavorable economic trends may potentially impact on the Group's business negatively.

Cold storage and related business

Cold storage

The Group is cautiously monitoring this core business, which remained stable during the first half. Visitor arrivals to Hong Kong showed a 2.8% increase from January to June 2015, according to the Hong Kong Tourism Board. Over the same period, the number of mainland tourists visiting the city climbed 4.7%.

However, on a year-on-year comparison in June 2015, the total number of visitors and the number of mainland tourists have fallen 2.9% and 1.8% respectively. The downward trend may affect the catering industry, on which our cold storage business depends. Other challenges ahead of us include the escalating costs facing our operation, such as labour and electricity, combined with the increasing food prices, which may affect the consumption of frozen food. To reduce their impact, we will seek to utilise our warehousing space and facilities more productively by optimising our client portfolio.

Industrial ice bars (for construction use)

Demand for industrial ice bars from the construction industry is expected to continue in the short-term future. Benefiting from the seasonal spike in demand, this segment will deliver a significantly improved performance during summer and the early autumn period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

Cold storage and related business (continued)

Industrial ice bars (for construction use) (continued)

According to the 2015 Policy Address, the Town Planning Board has approved the applications for development of 26 housing sites and the Kai Tak Development Area will provide no fewer than 6,800 residential units and not fewer than 430,000 square meters of additional commercial floor area. All these projects will generate opportunities for our industrial ice bar business.

Trading and related business in the PRC

This segment is expected to benefit from the Group's ongoing commitment to expand its distribution network and product variety such as the additions of probiotics drinks, yogurt and traditional Korean snacks in the Mainland China. According to the Trade Development Council, China's urbanisation rate has accelerated from the early days of reform to reach 54.77% in 2014. The high population density in Chinese cities has focused demands on consumer products. The country's three largest cities — Beijing, Shanghai and Guangzhou — are characterised by a large consumer market, with a generally high consumption power among their residents. In terms of location of sales outlets, urban areas also account for over 86% of the total retail sales of consumer goods. All these developments are likely to bring visible improvements to the Group's trading and related business. However, the projected premium consumer demand may be dampened by the recent stock market clash in the Mainland China.

Money lending services

This business has been established to provide credit facilities for the Group's cold storage customers from Hong Kong and the Mainland China and for other money lending opportunities. Since its formation late last year, the segment has performed below expectation.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (continued)

Money lending services (continued)

In view of its sluggish growth, the Group will review the business strategy for this segment to uplift profitability. As the demand for borrowed money exists during economic downturns and booms, the money lending business can be seen as one that will provide the Group with a stable revenue source in the longer term. In 2014, the total amount of loans and advances provided by authorised institutions in Hong Kong was valued at HK\$4,532.4 billion, a 13.9% increase from HK\$3,978.8 billion of the previous year, according to the Census and Statistics Department in February 2014.

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

The Group is dedicated to improving the performance of its cold storage and logistics businesses. We are equally devoted to maintaining the growth momentum of our overall results. We will focus on the development of new businesses with a high growth potential in Hong Kong and the Mainland China.

For our cold storage and related businesses, we have continued to maintain a high level of operating efficiency to ensure our successful retention of quality customers and a high inventory turnover rate. This will be achieved through provision of a one-stop range of quality storage and logistics services, from warehousing and storage to transportation and distribution, container hauling and devanning.

While we seek to maintain the profit margin of our core business, we are also committed to enhancing our food trading business through the adoption of effective market penetration strategies. In this regard, we have kept pace with the market dynamics by expanding our product categories and distribution network on the mainland. The Management is confident that our trading business will deliver long-term contributions to the Group in turnover and revenue.

As one of Hong Kong's leading cold storage providers, we endeavor to strengthen the profitability of our core business continually, with a firm focus on upgrading the performance of our trading business on the mainland. We would like to take this opportunity to thank our shareholders for their unwavering support and pledge concerted efforts to help optimise their returns.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

| | | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|--|--------------|---|---|
| | <i>NOTES</i> | | |
| Revenue | 3 | 129,104 | 96,846 |
| Direct costs | | (107,821) | (90,918) |
| Gross profit | | 21,283 | 5,928 |
| Other income | 4 | 1,093 | 1,052 |
| Other gains and losses | 5 | 606 | (19) |
| Other expense | | (619) | – |
| Selling and distribution expenses | | (5,876) | (4,121) |
| Administrative expenses | | (17,788) | (15,948) |
| Share of loss of a joint venture | | (1,681) | (993) |
| Finance costs | 6 | (4,330) | (493) |
| Loss before tax | 7 | (7,312) | (14,594) |
| Income tax expense | 8 | – | – |
| Loss for the period | | (7,312) | (14,594) |
| Other comprehensive income | | | |
| Item that may be subsequently reclassified to profit or loss | | | |
| Exchange difference arising on translation of financial statements of the foreign operations | | 79 | 125 |
| Total comprehensive expense for the period | | (7,233) | (14,469) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

| | <i>NOTES</i> | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|--|--------------|---|---|
| Loss for the period attributable to: | | | |
| Owners of the Company | | (7,312) | (14,594) |
| Non-controlling interests | | – | – |
| | | (7,312) | (14,594) |
| Total comprehensive expense for the period attributable to: | | | |
| Owners of the Company | | (7,233) | (14,469) |
| Non-controlling interests | | – | – |
| | | (7,233) | (14,469) |
| Loss per share – basic | 10 | HK(0.3) cents | HK(0.6) cents |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2015

| | NOTES | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|--|-------|--------------------------------------|-------------------------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 13,349 | 9,888 |
| Goodwill | | 8,581 | 8,581 |
| Interest in a joint venture | | 6,499 | 8,181 |
| Available-for-sale investments | 12 | 38,502 | 38,502 |
| Rental deposits paid | | 21,792 | 21,780 |
| Pledged bank deposits | | 90,000 | 90,000 |
| Loans receivable | 13 | 53,050 | – |
| | | 231,773 | 176,932 |
| CURRENT ASSETS | | | |
| Inventories | | 1,713 | 1,636 |
| Trade and other receivables, deposits and prepayments | 14 | 67,705 | 51,809 |
| Loans receivable | 13 | 950 | – |
| Amount due from non-controlling interests of a subsidiary | | 9,761 | 5,949 |
| Held-for-trading investments | | 791 | 834 |
| Bank balances and cash | | 150,785 | 149,151 |
| | | 231,705 | 209,379 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 28,434 | 20,674 |
| Amount due to an investee | | 39,042 | 23,795 |
| Amount due to a joint venture | | – | 1,270 |
| Obligations under finance leases | | 1,509 | 578 |
| Promissory notes | | 4,934 | 4,762 |
| | | 73,919 | 51,079 |
| NET CURRENT ASSETS | | 157,786 | 158,300 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 389,559 | 335,232 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2015

| | <i>NOTES</i> | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|---|--------------|---|--|
| CAPITAL AND RESERVES | | | |
| Share capital | 16 | 24,323 | 24,323 |
| Share premium and reserves | | 243,241 | 250,474 |
| Equity attributable to owners of the Company | | 267,564 | 274,797 |
| Non-controlling interests | | 14,923 | 14,923 |
| | | 282,487 | 289,720 |
| NON-CURRENT LIABILITIES | | | |
| Obligations under finance leases | | 2,480 | 1,081 |
| Promissory notes | | 4,592 | 4,431 |
| Bonds | 17 | 100,000 | 40,000 |
| | | 107,072 | 45,512 |
| | | 389,559 | 335,232 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

| | Attributable to owners of the Company | | | | | | Non-controlling interests HK\$'000 | Total HK\$'000 |
|---|---------------------------------------|---------------------------|---------------------------------------|--------------------------------|---------------------------------|-------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 (Note) | Accumulated losses HK\$'000 | Translation reserve HK\$'000 | Total HK\$'000 | | |
| At 1st January, 2014 (audited) | 24,323 | 374,226 | 39,984 | (140,037) | (30) | 298,466 | 14,923 | 313,389 |
| Loss for the period | - | - | - | (14,594) | - | (14,594) | - | (14,594) |
| Exchange differences arising on translation | - | - | - | - | 125 | 125 | - | 125 |
| Total comprehensive (expense) income for the period | - | - | - | (14,594) | 125 | (14,469) | - | (14,469) |
| At 30th June, 2014 (unaudited) | 24,323 | 374,226 | 39,984 | (154,631) | 95 | 283,997 | 14,923 | 298,920 |
| At 1st January, 2015 (audited) | 24,323 | 374,226 | 39,984 | (163,888) | 152 | 274,797 | 14,923 | 289,720 |
| Loss for the period | - | - | - | (7,312) | - | (7,312) | - | (7,312) |
| Exchange differences arising on translation | - | - | - | - | 79 | 79 | - | 79 |
| Total comprehensive (expense) income for the period | - | - | - | (7,312) | 79 | (7,233) | - | (7,233) |
| At 30th June, 2015 (unaudited) | 24,323 | 374,226 | 39,984 | (171,200) | 231 | 267,564 | 14,923 | 282,487 |

Note: On 24th November, 2009, every five issued and unissued existing shares of HK\$0.01 each in share capital of the Company consolidated into one consolidated share of HK\$0.05 (the “Share Consolidation”). After completion of the 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”) and 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, 2015

| | Six months ended | |
|---|--------------------------------------|--------------------------------------|
| | 30.6.2015 HK\$'000 (unaudited) | 30.6.2014 HK\$'000 (unaudited) |
| NET CASH USED IN OPERATING ACTIVITIES | (67,364) | (18,091) |
| NET CASH USED IN INVESTING ACTIVITIES: | | |
| Additions of property, plant and equipment | (2,982) | (1,529) |
| Increase in pledged bank deposits | – | (11,282) |
| Increase in amount due from non-controlling interests of a subsidiary | (3,812) | – |
| Other investing activities | 986 | 900 |
| | (5,808) | (11,911) |
| CASH FROM (USED IN) FINANCING ACTIVITIES: | | |
| Increase in amount due to an investee | 15,247 | – |
| Proceeds from issue of bonds | 60,000 | – |
| Payment of obligations under finance leases | (520) | – |
| Other financing activities | – | (217) |
| | 74,727 | (217) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,555 | (30,219) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 149,151 | 143,980 |
| Effect of foreign exchange rate changes | 79 | 51 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash | 150,785 | 113,812 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

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 “Listing Rules”).

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.

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, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

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 HKFRSs *Annual Improvements to HKFRSs 2010–2012 Cycle*
- Amendments to HKFRSs *Annual Improvements to HKFRSs 2011–2013 Cycle*
- Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The application of the 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.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (“CODM”), for the purposes of resource allocation or assessment of segment performance focuses on the types of goods and services delivered or provided. No operating segments identified by the CODM 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”)

During the period ended 30th June, 2015, the Group has commenced its money lending business in Hong Kong and an operating segment regarding this money lending services was reported.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

3. SEGMENT INFORMATION (continued)

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

Six months ended 30.6.2015

| | Cold storage and related services HK\$'000 | Trading and related services HK\$'000 | Money lending services HK\$'000 | Total HK\$'000 |
|--|---|--|--|-------------------|
| Revenue | 109,666 | 18,052 | 1,386 | 129,104 |
| Segment profit (loss) | 8,456 | (5,290) | (549) | 2,617 |
| Unallocated income | | | | 1,093 |
| Unallocated expenses | | | | (6,649) |
| Change in fair value of financial instruments | | | | (43) |
| Finance costs | | | | (4,330) |
| Loss before tax | | | | (7,312) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

3. SEGMENT INFORMATION (continued)

Six months ended 30.6.2014

| | Cold storage and related services HK\$'000 | Trading and related services HK\$'000 | Money lending services HK\$'000 | Total HK\$'000 |
|--|---|--|--|-------------------|
| Revenue | 93,086 | 3,760 | – | 96,846 |
| Segment loss | (2,154) | (6,433) | – | (8,587) |
| Unallocated income | | | | 1,052 |
| Unallocated expenses | | | | (6,504) |
| Change in fair value of financial instruments | | | | (62) |
| Finance costs | | | | (493) |
| Loss before tax | | | | (14,594) |

Segment result represents the profit (loss) from each segment without allocation of interest income, certain sundry income, central administration costs, change in fair value of financial instruments and finance costs. This is the measure reported to the CODM, 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, 2015

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

| | 30.6.2015 | 31.12.2014 |
|-----------------------------------|-----------|------------|
| | HK\$'000 | HK\$'000 |
| ASSETS | | |
| Cold storage and related services | 98,004 | 81,370 |
| Money lending services | 55,126 | – |
| Trading and related services | 12,798 | 11,000 |
| | | |
| Total segment assets | 165,928 | 92,370 |
| Unallocated assets | 297,550 | 293,941 |
| | | |
| Consolidated assets | 463,478 | 386,311 |
| | | |
| LIABILITIES | | |
| Cold storage and related services | 21,601 | 16,538 |
| Money lending services | 54,806 | – |
| Trading and related services | 7,114 | 4,416 |
| | | |
| Total segment liabilities | 83,521 | 20,954 |
| Unallocated liabilities | 97,470 | 75,637 |
| | | |
| Consolidated liabilities | 180,991 | 96,591 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

4. OTHER INCOME

| | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|----------------------|---|---|
| Bank interest income | 336 | 850 |
| Sundry income | 757 | 202 |
| | 1,093 | 1,052 |

5. OTHER GAINS AND LOSSES

| | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|---|---|---|
| Fair value loss on held-for-trading investments | (43) | (62) |
| Gain on disposal of property, plant and equipment | 649 | 43 |
| | 606 | (19) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

6. FINANCE COSTS

| | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|--|---|---|
| Interest on obligations under finance leases | 71 | 11 |
| Imputed interest expense on promissory notes | 332 | 482 |
| Interest on bonds | 2,257 | – |
| Bank charges | 70 | – |
| Bond placing commission | 1,600 | – |
| | 4,330 | 493 |

7. LOSS BEFORE TAX

| | Six months ended 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|--|---|---|
| Loss before tax for the period has been arrived at after charging the following items: | | |
| Write-off of inventories | – | 1,179 |
| Depreciation of property, plant and equipment | 2,371 | 1,978 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

8. INCOME TAX EXPENSE

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

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

No provision for Hong Kong Profits Tax and EIT are required as the individual companies comprising the Group incurred a loss for both periods.

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, 2015 and 30th June, 2014.

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 30.6.2015 HK\$'000 (unaudited) | Six months ended 30.6.2014 HK\$'000 (unaudited) |
|--|---|---|
| Loss for the purpose of basic loss per share | <u>(7,312)</u> | <u>(14,594)</u> |
| | '000 | '000 |
| Number of ordinary shares for the purpose of basic loss per share | <u>2,432,304</u> | <u>2,432,304</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

10. LOSS PER SHARE (continued)

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for the period ended 30th June, 2015 and 2014.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK\$5,832,000 (for the six months ended 30th June, 2014: HK\$2,129,000) on additions of property, plant and equipment.

12. AVAILABLE-FOR-SALE INVESTMENTS

| | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|--------------------------|--------------------------------------|-------------------------------------|
| Unlisted shares, at cost | 149,120 | 149,120 |
| Less: Impairment | (110,618) | (110,618) |
| | 38,502 | 38,502 |

The available-for-sale investments represent 30% effective equity interest in a private entity incorporated in the British Virgin Islands which previously held a hotel resort complex operation in Macau.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

12. AVAILABLE-FOR-SALE INVESTMENTS (continued)

On 4th May, 2013, the indirectly owned investee, which holds 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 of Hong Kong Limited, 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. According to the assets purchase agreement, 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 investments taking into account the expected future cash flows of the investments including the cashflows generated from the aforesaid disposal. No impairment loss were recognised for both six months ended 30th June, 2015 and 30th June, 2014.

13. LOANS RECEIVABLE

| | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|--|--------------------------------------|-------------------------------------|
| First mortgage loans | 24,000 | – |
| Second mortgage loans | 15,000 | – |
| Unsecured loans | 15,000 | – |
| | 54,000 | – |
| Less: Amount due within one year and classified under current assets | (950) | – |
| Amount due after one year | 53,050 | – |

The mortgage loans with aggregated carrying amount to HK\$39,000,000 (2014: Nil) are secured by the properties of the borrowers. All the loans bear interests at 11% per annum and with maturity ranged from 3 to 20 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

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 related services.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK\$60,118,000 (31.12.2014: HK\$47,230,000).

The aged analysis of trade receivables by invoice dates, which approximated the revenue recognition date, are as follows:

| | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|--------------------|--------------------------------------|-------------------------------------|
| 0–30 days | 22,969 | 23,774 |
| 31–60 days | 17,716 | 12,559 |
| 61–90 days | 9,168 | 7,705 |
| 91–120 days | 7,293 | 2,796 |
| More than 120 days | 2,972 | 396 |
| | 60,118 | 47,230 |

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$11,168,000 (31.12.2014: HK\$6,981,000).

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

| | 30.6.2015 HK\$'000 (unaudited) | 31.12.2014 HK\$'000 (audited) |
|--------------------|--------------------------------------|-------------------------------------|
| 0–30 days | 6,724 | 5,102 |
| 31–60 days | 4,084 | 1,716 |
| 61–90 days | 156 | 78 |
| 91–120 days | 40 | 85 |
| More than 120 days | 164 | – |
| | 11,168 | 6,981 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

16. SHARE CAPITAL

| | Authorised | | Issued and fully paid | |
|--|------------|----------|-----------------------|----------|
| | Number of | Amount | Number of | Amount |
| | shares | | shares | |
| | '000 | HK\$'000 | '000 | HK\$'000 |

Ordinary shares of HK\$0.01 each

| | | | | |
|-------------------------|------------|---------|-----------|--------|
| At 1st January, 2014, | | | | |
| 30th June, 2014, | | | | |
| 31st December, 2014 and | | | | |
| 30th June, 2015 | 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 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, 2015 and 31st December, 2014, the Company issued bonds with total principal amounts of HK\$100,000,000 and HK\$40,000,000 respectively. Interest on bonds payables at par value is payable annually and the principal is repayable in full upon maturity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

18. PLEDGE OF ASSETS

As at 30th June, 2015, banking facilities to the extent of HK\$3,500,000 (31.12.2014: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (31.12.2014: HK\$3,500,000). The amount utilised at 30th June, 2015 was approximately HK\$3,480,000 (31.12.2014: HK\$3,480,000).

As at 30th June, 2015, bank deposits of approximately HK\$86,500,000 (31.12.2014: HK\$86,500,000) were 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.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets 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).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

| | Fair value hierarchy | |
|---|----------------------|------------|
| | Level 1 | |
| | 30.6.2015 | 31.12.2014 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| <i>Held-for-trading investments</i> | | |
| Equity securities listed in Hong Kong ^(Note) | 791 | 834 |

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

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

The available-for-sale investments are 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 their fair values cannot be measured reliably.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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 10 to 29, which comprise the condensed consolidated statement of financial position as of 30th June, 2015 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 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 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

27th August, 2015

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2015, 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, 2015, 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:

- 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.
- 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.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme

At the annual general meeting of the Company held on 29th May, 2015, the shareholders approved the adoption of a new share option scheme (the “New Option Scheme”) and the termination of the share option scheme which was adopted on 9th January, 2006 (the “Old Option Scheme”). The New Option 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 New Option Scheme.

No share option was outstanding as at 1st January, 2015 and 30th June, 2015 and no share option was granted under the Old Option Scheme and the New Option Scheme during the period since adoption of such schemes.

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, 2015.

CORPORATE GOVERNANCE

Corporate Governance Code

For the first half of 2015, 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 an exception specified and explained below:

Pursuant to 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.

OTHER INFORMATION

CORPORATE GOVERNANCE (continued)

Corporate Governance Code (continued)

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.

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 internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 2015 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 Control

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 once 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.

During the period, the formal employee handbook of China trading subsidiary has been established and approved by the Management. Such handbook clearly set out the policies and procedures which apply to China trading subsidiary's businesses and places staff under their obligations as to duty, integrity and principles under which its businesses operate.

Meanwhile, the Company has fine-tuned the policies of the Company's employee handbook for compliance with the relevant updated ordinances. Both employee handbooks have been properly circulated to staff and enforced.

Following the internal control review of the purchase, sales and inventory ("PSI") processes of China trading subsidiary in last year, the Management has started to develop an enterprise resource planning ("ERP") system for its businesses during the period. Through ERP system we can optimise the procurement and sales processes as well as inventory management, and maintain data quality, data validation & authentication to improve financial & accounting system tracking & budget controlling effectiveness.

The framework of ERP system is basically completed. The completed ERP system is assumed to be finished in the second half of 2015 and to be testing accordingly. It is expected to be implemented in due course after the test period.

All internal control procedures will be properly followed up to ensure that they are implemented and will be monitored in an on-going basis.

During the six months ended 30th June, 2015, 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.