



DAIDO

Stock Code 股份代號 : 00544

大同集團有限公司

DAIDO
Group Limited

Interim Report
中期報告 2009

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)
(appointed on 15th September, 2009)

Mr. Tang Tsz Man, Philip

Mr. Choy Kai Sing
(appointed on 13th August, 2009)

Non-Executive Director

Mr. Fung Wa Ko (*Chairman*)
(re-designated on 15th September, 2009)

Independent Non-Executive Directors

Mr. Fung Siu Kit, Ronny
(appointed on 13th August, 2009)

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

Mr. Leung, Tsz Fung David Ferreira
(resigned on 13th August, 2009)

COMMITTEES

Audit Committee

Mr. Leung Chi Hung (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Tse Yuen Ming

Remuneration Committee

Mr. Fung Siu Kit, Ronny (*Chairman*)

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor

West Tower, Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd.

DBS Bank (Hong Kong) Limited

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

Rooms 1901-02

Fook Lee Commercial Centre

Town Place, 33 Lockhart Road

Wanchai, Hong Kong

WEBSITE

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

www.daidohk.com

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 and related 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.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Cold storage and related services (continued)

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 Macau local tourism and the negative impact of travel restrictions implemented by mainland authorities on mainland visitors since May 2008.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

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 equity attributable to owners of the Company 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.

Management Discussion and Analysis

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 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.

Management Discussion and Analysis

PROSPECT (continued)

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.

Management Discussion and Analysis

PROSPECT (continued)

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 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.

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		Six months ended	
		30.6.2009	30.6.2008
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
	<i>NOTES</i>		
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	10	300	–
Adjustment on loans to an investee	13	–	(4,387)
Finance costs	5	(2,987)	(3,030)
Loss before tax	6	(5,188)	(2,210)
Tax credit	7	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	9	HK(0.11) cent	HK(0.05) cent

Condensed Consolidated Statement of Financial Position

AT 30TH JUNE, 2009

	NOTES	30.6.2009 HK\$'000 (unaudited)	31.12.2008 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties	10	15,800	15,500
Property, plant and equipment	11	25,021	25,706
Goodwill		8,513	8,513
Interest in an associate	12	–	–
Available-for-sale investments		88,920	88,920
Loans to an investee	13	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
		279,667	279,191
CURRENT ASSETS			
Inventories		53	53
Trade and other receivables	14	33,626	34,974
Tax recoverable		217	217
Bank balances and cash		105,360	109,008
		139,256	144,252
CURRENT LIABILITIES			
Trade and other payables	15	10,878	13,120
Obligations under a finance lease		13	88
Promissory notes		4,934	4,762
		15,825	17,970
NET CURRENT ASSETS			
		123,431	126,282
TOTAL ASSETS LESS CURRENT LIABILITIES			
		403,098	405,473

Condensed Consolidated Statement of Financial Position

AT 30TH JUNE, 2009

	NOTES	30.6.2009 HK\$'000 (unaudited)	31.12.2008 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital	16	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
		330,542	334,149
NON-CURRENT LIABILITIES			
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
		72,556	71,324
		403,098	405,473

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to owners of the Company						
	Share capital	Share premium	Retained profits	Convertible bond equity reserve	Total	Minority interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008 (audited)	41,680	126,043	268,103	8,147	443,973	2	443,975
Loss for the period representing total comprehensive loss for the period	-	-	(2,023)	-	(2,023)	-	(2,023)
At 30th June, 2008 (unaudited)	41,680	126,043	266,080	8,147	441,950	2	441,952
At 1st January, 2009 (audited)	41,680	126,043	158,277	8,147	334,147	2	334,149
Loss for the period representing total comprehensive loss for the period	-	-	(4,704)	-	(4,704)	-	(4,704)
Adjustment on interest-free advance from a minority shareholder of a subsidiary deemed as contribution	-	-	-	-	-	1,097	1,097
At 30th June, 2009 (unaudited)	41,680	126,043	153,573	8,147	329,443	1,099	330,542

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(2,670)	(5,940)
NET CASH USED IN INVESTING ACTIVITIES:		
Additions of property, plant and equipment	(1,692)	(689)
Other investing activities	791	1,699
Increase in pledged bank deposits	–	(8,531)
	(901)	(7,521)
CASH USED IN FINANCING ACTIVITIES	(77)	(74)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,648)	(13,535)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	109,008	134,010
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
– represented by bank balances and cash	105,360	120,475

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 redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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

¹ Effective for annual periods beginning on or after 1st July, 2009

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

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

⁴ 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.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

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 redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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 resource 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.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

3. SEGMENT INFORMATION (continued)

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	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(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	(5,188)	(2,210)

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	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Segment assets	81,685	85,203

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

4. OTHER INCOME

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

5. FINANCE COSTS

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(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
	2,987	3,030

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

6. LOSS BEFORE TAX

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(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	5	–
	3,787	3,120

7. TAX CREDIT

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

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 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%.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

8. 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.

9. LOSS PER SHARE

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

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share	(4,704)	(2,023)
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	4,168,000	4,168,000

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.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

10. INVESTMENT PROPERTIES

The fair value of the Group's investment properties at 30th June, 2009 has been arrived at on the basis of a valuation carried out by Asset Appraisal Limited which is an independent firm of professional property valuers not connected with the Group. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location and conditions. The resulting increase in fair value of investment properties of HK\$300,000 (six months ended 30th June, 2008: Nil) has been recognised directly in condensed consolidated statement of comprehensive income for the period.

The investment properties of the Group are situated in Hong Kong and held under medium term leases. The investment properties as at 30th June, 2009 are vacant.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$3.1 million (six months ended 30th June, 2008: approximately HK\$0.7 million) on additions of property, plant and equipment for upgrading compartments for freezer storage and operating use.

12. INTEREST IN AN ASSOCIATE

	30.6.2009	31.12.2008
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cost of investment in an associate, unlisted shares	2,000	2,000
Share of post-acquisition losses, net of dividends received	(1,827)	(1,827)
Less: Impairment	(173)	(173)
	-	-

Subsequent to the end of the reporting period, the associate was deregistered.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

13. LOANS TO AN INVESTEE

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

During the six months ended 30th June, 2009, the Group recognised interest income of HK\$2,289,000 (six months ended 30th June, 2008: HK\$4,387,000).

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 condensed consolidated statement of comprehensive income.

14. 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 HK\$'000 (unaudited)	31.12.2008 HK\$'000 (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
	29,268	31,359

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

15. TRADE AND OTHER PAYABLES

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

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

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, 2008,				
30th June, 2008,				
31st December, 2008 and				
30th June, 2009	5,000,000	50,000	4,168,000	41,680

17. PLEDGE OF ASSETS

As at 30th June, 2009, banking facilities to the extent of HK\$3,100,000 (31.12.2008: HK\$3,300,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (31.12.2008: HK\$3,500,000).

As at 30th June, 2009, bank deposits of HK\$65,406,000 (31.12.2008: HK\$65,406,000) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

Notes to the Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

18. CONTINGENT LIABILITIES

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

19. EVENTS AFTER THE END OF THE INTERIM PERIOD

- (a) On 14th August, 2009, the Company entered into a subscription agreement with Ever Achieve Enterprises Limited which agreed to subscribe for 830,000,000 new shares of the Company at a price of HK\$0.068 per share after the completion of a placement by an independent placing agent, of an aggregate of 830,000,000 ordinary shares in the Company to independent investors at a price of HK\$0.068 per share. The subscription and placing was subsequently completed on 24th August, 2009. Net proceeds of about HK\$55 million will be used for general working capital of the Group.
- (b) The Group, through its subsidiary, held a 6% effective interest in investment properties and a 12% effective interest in a hotel resort complex operation. Subsequent to the end of the reporting period, a group restructuring on the investment holding company holding the investment properties and the hotel resort complex operation in Macau (the "Holding Company") was completed upon the conditions stipulated in the agreements being fulfilled. The Holding Company disposed of a 15% effective interest in the investment properties and its 65% effective interest in the hotel resort complex operation together with the corresponding shareholders' loans at a consideration of HK\$300 million. After the group restructuring, both the Group's effective interest in the investment properties and the hotel resort complex operation are 6%. The directors of the Group are still assessing the financial impact to the Group arisen from the group restructuring.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 24, which comprises the condensed consolidated statement of financial position of Daido Group Limited (the "Company") and its subsidiaries as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 21st September, 2009

Other Information

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2009, none of the directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of Substantial Shareholders

As at 30th June, 2009, to the best knowledge of the directors or chief executives of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Other Information

DISCLOSURE OF INTERESTS (CONTINUED)

Interests of Substantial Shareholders (Continued)

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

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited ^(Note 1)	Beneficial owner	1,011,615,665	–	24.27%
Bingo Chance Limited ^(Note 2)	Beneficial owner	700,000,000	–	16.79%
Elite Plan Investments Limited ^(Note 2)	Interest of controlled corporation	700,000,000	–	16.79%
Wulglar Wai Wan ^(Note 2)	Interest of controlled corporation	700,000,000	–	16.79%
Ever Apollo Limited ^(Note 3)	Beneficial owner	160,000,000	210,344,828	8.88%
Fung Ho Sum ^(Note 3)	Interest of controlled corporation	160,000,000	210,344,828	8.88%
Wong Ka May ^(Note 3)	Spouse interest	160,000,000	210,344,828	8.88%
Equity Capital Group Limited ^(Note 4)	Beneficial owner	311,615,664	–	7.47%
So Yiu Ming, Sunny ^(Note 4)	Interest of controlled corporation	311,615,664	–	7.47%
Lam Fung Yee, Venue ^(Note 4)	Spouse interest	311,615,664	–	7.47%

Other Information

DISCLOSURE OF INTERESTS (CONTINUED)

Interests of Substantial Shareholders (Continued)

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.
2. Vulgar Wai Wan is the sole ultimate beneficial owner of Bingo Chance Limited and Elite Plan Investments Limited. She is deemed to be interested in the 700,000,000 shares which are held by Bingo Chance Limited under the SFO.
3. Other than the interest in 160,000,000 shares, Ever Apollo Limited is also deemed to have interest in the share capital of the Company in respect of 210,344,828 shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bonds under the SFO. Mr. Fung Ho Sum is the sole beneficial owner of Ever Apollo Limited. Each of him and his spouse, Ms. Wong Ka May is deemed to be interested in the shares which are held by Ever Apollo Limited under the SFO.
4. Mr. So Yiu Ming, Sunny is the sole beneficial owner of Equity Capital Group Limited. Each of him and his spouse, Ms. Lam Fung Yee is deemed to be interested in 311,615,664 shares which are held by Equity Capital Group Limited under the SFO.

Save as disclosed above, as at 30th June, 2009, the directors or chief executives of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

On 9th January, 2006, a share option scheme (the "Scheme") was adopted and approved by their then shareholders of the Company for a period of 10 years commencing on the adoption date. Since the adoption date, the Board may, at its discretion, grant share options to any eligible participants to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the Scheme.

No share option was outstanding as at 1st January, 2009 and 30th June, 2009 and no share option was granted under the Scheme during the period since adoption.

Other Information

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.

Other Information

CORPORATE GOVERNANCE (CONTINUED)

Board of Directors

After 30th June, 2009, 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.

Other Information

CORPORATE GOVERNANCE (CONTINUED)

Model Code for Securities Transactions by Directors

The Company has adopted a set of code of conduct for securities transactions by directors, the terms of which are not less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Company's Model Code"). Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Company's Model Code during the period under review.

To enhance the corporate governance of the Group as a whole, all relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with the Company's Model Code. No incident of non-compliance was noted by the Company during the period under review.

Audit Committee

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 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 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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.

Other Information

CORPORATE GOVERNANCE (CONTINUED)

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.