DAIDO

DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

The board of directors (the ''Board'') of Daido Group Limited (the ''Company'') is pleased to announce the audited consolidated results of the Company and its subsidiaries (the ''Group'') for the year ended 31st December, 2012, together with the comparative figures for the corresponding period in 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Revenue	*3*	**214,691**	172,793
Direct costs		**(240,786)**	(157,867)
Gross (loss) profit		**(26,095)**	14,926
Other income	*4*	**7,514**	7,138
Selling and distribution expenses		**(17,554)**	(4,945)
Administrative expenses		**(58,529)**	(22,536)
Other operating expenses		**(11,395)**	(34,236)
Other gains and losses	*5*	**(3,484)**	(190)
Impairment loss on goodwill		**(323)**	–
Impairment loss on property, plant and equipment	*6*	**(56,413)**	–
Impairment loss on available-for-sale investments	*7*	**(10,000)**	(35,300)
Finance costs	*8*	**(4,895)**	(6,427)
Loss before tax		**(181,174)**	(81,570)
Tax credit	*9*	**–**	328

* *For identification purpose only*

	Notes	2012 HK$'000	2011 HK$'000
Loss for the year	10	**(181,174)**	(81,242)
Other comprehensive income for the year			
Exchange differences arising on translation of the foreign operations		**246**	393
Total comprehensive expense for the year		**(180,928)**	(80,849)
Loss for the year attributable to:			
Owners of the Company		**(179,899)**	(81,242)
Non-controlling interests		**(1,275)**	–
		(181,174)	(81,242)
Total comprehensive expense attributable to:			
Owners of the Company		**(179,653)**	(80,849)
Non-controlling interests		**(1,275)**	–
		(180,928)	(80,849)
Loss per share – basic and diluted	12	**HK10.47cents**	HK6.48cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**77,798**	80,206
Goodwill		**8,513**	8,836
Available-for-sale investments		**43,620**	53,620
Loans to an investee		**69,107**	68,802
Financial assets at fair value through profit or loss		**8,207**	7,077
Deposits for acquisition of property, plant and equipment		**2,880**	15,233
Rental deposits paid		**24,592**	25,072
Pledged bank deposits		**78,718**	78,718
		313,435	337,564

	Notes	2012 HK$'000	2011 HK$'000
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	*13*	**51,117**	53,227
Inventories		**2,075**	–
Held for trading investments		**877**	601
Bank balances and cash		**54,916**	89,572
		108,985	143,400
CURRENT LIABILITIES			
Trade and other payables	*14*	**53,698**	17,135
Obligations under finance leases		**375**	349
Promissory notes		**9,762**	4,762
		63,835	22,246
NET CURRENT ASSETS		**45,150**	121,154
TOTAL ASSETS LESS CURRENT LIABILITIES		**358,585**	458,718
CAPITAL AND RESERVES			
Share capital		**20,723**	14,394
Share premium and reserves		**274,074**	383,208
Equity attributable to owners of the Company		**294,797**	397,602
Non-controlling interests		**14,237**	11,522
		309,034	409,124
NON-CURRENT LIABILITIES			
Obligations under finance leases		**347**	722
Amount due to non-controlling interests of a subsidiary		**24,594**	24,594
Promissory notes		**12,392**	15,960
Other liabilities		**12,218**	8,318
		49,551	49,594
		358,585	458,718

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[4]
HKFRS 9	Financial Instruments[2]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 19 (Revised 2011)	Employee Benefits[1]
HKAS 27 (Revised 2011)	Separate Financial Statements[1]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[4]
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2015.
[3] Effective for annual periods beginning on or after 1st July, 2012.
[4] Effective for annual periods beginning on or after 1st January, 2014.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

HKFRS 9 is effective for the Group for annual period beginning on 1st January, 2015, with earlier application permitted. The directors anticipate that the adoption of HKFRS 9 may have an impact on amounts reported in the consolidated financial statements in relation to the investments classified under available-for-sale. It is not practicable to estimate the effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

The directors consider that the application of HKFRS 10, HKFRS 11, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011), together with amendments relating to the transitional guidance on the application of these HKFRS issued in July 2012, will not have any impact on the amounts reported in the consolidated financial statements.

The directors expect that the application of HKFRS 12, a disclosure standard applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, will result in more extensive disclosure in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that HKFRS 13 will be adopted for the Group in the consolidated financial statements for the annual period beginning 1st January, 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. REVENUE AND SEGMENT INFORMATION

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

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

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Karaoke outlets and related services in the People's Republic of China (the "PRC") ("Karaoke outlets and related services")

Segments revenues and results

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

For the year ended 31st December, 2012

	Cold storage and related services *HK$'000*	**Karaoke outlets and related services** *HK$'000*	**Total** *HK$'000*
Revenue	**186,298**	**28,393**	**214,691**
Segment loss	**(387)**	**(159,094)**	**(159,481)**
Unallocated income			**7,514**
Unallocated expenses			**(10,568)**
Change in fair value of financial instruments			**1,365**
Adjustment on loans to an investee			**(5,109)**
Impairment loss on available-for-sale investments			**(10,000)**
Finance costs			**(4,895)**
Loss before tax			**(181,174)**

For the year ended 31st December, 2011

	Cold storage and related services *HK$'000*	Karaoke outlets and related services *HK$'000*	Total *HK$'000*
Revenue	172,793	–	172,793
Segment loss	(1,818)	(34,236)	(36,054)
Unallocated income			7,195
Unallocated expenses			(10,500)
Change in fair value of financial instruments			(984)
Change in fair value of investment properties			500
Impairment loss on available-for-sale investments			(35,300)
Finance costs			(6,427)
Loss before tax			(81,570)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment result represents the loss from each segment without allocation of interest income, sundry income, central administration costs including part of auditor's remuneration and directors' remuneration, change in fair value of investment properties and financial instruments, adjustment on loans to an investee, impairment loss on available-for-sale investments and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2012	2011
	HK$'000	*HK$'000*
ASSETS		
Cold storage and related services	**82,563**	85,879
Karaoke outlets and related services	**82,833**	95,194
Total segment assets	**165,396**	181,073
Unallocated assets	**257,024**	299,891
Consolidated assets	**422,420**	480,964
LIABILITIES		
Cold storage and related services	**16,354**	14,383
Karaoke outlets and related services	**49,127**	10,811
Total segment liabilities	**65,481**	25,194
Unallocated liabilities	**47,905**	46,646
Consolidated liabilities	**113,386**	71,840

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss, held for trading investments, pledged bank deposits, bank balances and cash, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services and karaoke outlets and related services; and

- all liabilities are allocated to operating segments other than promissory notes, amount due to non-controlling interests of a subsidiary and certain other payables.

Other segment information

2012

	Cold storage and related services *HK$'000*	**Karaoke outlets and related services** *HK$'000*	**Segments total** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	**1,648**	**68,837**	**70,485**	**40**	**70,525**
Depreciation	**5,290**	**11,209**	**16,499**	**141**	**16,640**
Impairment loss on property, plant and equipment	**–**	**56,413**	**56,413**	**–**	**56,413**
Impairment loss on goodwill	**–**	**323**	**323**	**–**	**323**
Gain on disposal of property, plant and equipment	**260**	**–**	**260**	**–**	**260**

2011

	Cold storage and related services *HK$'000*	Karaoke outlets and related services *HK$'000*	Segments total *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	4,606	84,986	89,592	88	89,680
Depreciation	5,655	8	5,663	132	5,795
Gain on disposal of property, plant and equipment	129	–	129	165	294

Note: Additions to non-current assets represented additions to property, plant and equipment, goodwill, deposits for acquisition of property, plant and equipment and rental deposits paid.

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Unallocated	
	2012	2011
	HK$'000	*HK$'000*
Interest income	**(6,251)**	(6,804)
Interest expense	**4,895**	6,427
Tax credit	**–**	(328)
Change in fair value of investment properties	**–**	(500)
Change in fair value of financial instruments	**(1,365)**	984
Adjustment on loans to an investee	**5,109**	–
Impairment loss on available-for-sale investments	**10,000**	35,300

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information of the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, loans to an investee, financial assets at fair value through profit or loss and pledged bank deposits) are set out below:

	2012	2011
	HK$'000	*HK$'000*
Hong Kong	**40,419**	44,221
PRC	**73,364**	85,126
	113,783	129,347

Revenue from major product and services

The following is an analysis of the Group's revenue from its major products and services:

	2012	2011
	HK$'000	*HK$'000*
Cold storage and logistic services	**183,800**	168,021
Manufacturing and trading of ice	**2,498**	4,772
Karaoke outlets and related services	**28,393**	–
	214,691	172,793

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from cold storage and related services are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A	**33,336**	37,349
Customer B	**21,715**	20,097

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**837**	1,414
Imputed interest income from loans to an investee	**5,414**	5,390
Sundry income	**1,263**	334
	7,514	7,138

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Change in fair value of investment properties	**–**	500
Gain on disposal of property, plant and equipment	**260**	294
Fair value gain (loss) on financial assets at fair value through profit or loss	**1,130**	(690)
Fair value gain (loss) on held for trading investments	**235**	(294)
Adjustment on loans to an investee	**(5,109)**	–
	(3,484)	(190)

6. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

During the year ended 31st December, 2012, management of the Company decided to suspend one of the outlets in Jiangsu and accordingly, certain property, plant and equipment of that outlets of HK$3,390,000 (2011: nil) are impaired.

During the year, the performance of karaoke outlets and related services are worse than prior year cash flow projections. The directors of the Company considered these were impairment indicators and an impairment reviews for the relevant cash generating units ("CGU") were conducted. For impairment review purpose, the Group identifies each of the four regions, namely Shanghai, Beijing, Jiangsu and Hunan, in which the karaoke outlets operate as four cash generating units ("CGUs"). The recoverable amounts of the respective CGUs have been determined as higher of fair value less costs to sell and value in use calculation. The value in use calculations were based on the cash flow projections based on the latest financial budgets approved by the management covering a period of 5 years at a discount rate of 22.56% per annum for all the four CGUs. The cash flows beyond the 5-year period are extrapolated up to end of the relevant lease periods using a zero growth rate. The key assumptions for the value in use calculations related to the estimation of budgeted sales and gross margin, such estimation was based on the expectation for the market development based on the management's estimate.

As at 31st December, 2012, there are eleven outlets in Shanghai and one outlet in Beijing which have commenced operation. In Hunan, all the three outlets have been subcontracted to an operator for receiving a fixed subcontracting fee income for two years starting November 2012. While in Jiangsu, the remaining two outlets (excluding the outlet which has been suspended) have not yet commenced operation.

In the cash flow projections, all the outlets in Shanghai and Beijing are expected to continue their operations. The growth rates used in the forecast of these two regions are estimated at a range of 5% to 35% from 2013 to 2017. All of the three outlets in Hunan are currently under subcontracting arrangement and are expected to be operated by the Group itself starting 2015. For Jiangsu, all the outlets are expected to subcontract to an operator in 2013 to 2014 and operated by the Group itself starting 2015. No growth is expected in the forecast from 2013 to 2015 while it is expected to have 15% and 10% growth in 2016 and 2017 respectively.

With reference to the cash flow projections, impairment losses of HK$53,023,000 (2011: nil) were recognised in respect of CGU of Shanghai and were allocated to reduce the carrying amounts of the property, plant and equipment of this CGU on a pro-rata basis.

No impairment loss has been recognised in respect of the CGU's of Beijing, Jiangsu and Hunan regions.

7. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year, the management of that hotel resort complex operation has changed the strategic plans and the cash flow projection is revised. Accordingly, the Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows and estimated terminal value upon disposal of the investments. Based on the revised cash flow projections and assumptions covering a 5-year period, discount rate of 16.67% (2011: 16.94%) per annum and cash flows beyond 5-year period of a zero growth rate, the impairment loss of HK$10,000,000 is recognised (2011: HK$35,300,000).

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on obligations under finance leases	**61**	45
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**3,402**	3,402
Imputed interest expense on convertible bonds	**–**	1,304
Imputed interest expense on promissory notes	**1,432**	1,676
	4,895	6,427

9. INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
The tax credit comprises:		
Deferred tax		
Current year	**–**	(328)

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 years.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss before tax	**(181,174)**	(81,570)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(29,894)**	(13,459)
Tax effect of expenses not deductible for tax purpose	**4,684**	11,790
Tax effect of income not taxable for tax purpose	**(1,377)**	(1,194)
Tax effect of tax losses not recognized	**24,283**	2,536
Tax effect of other temporary differences not recognized	**9,529**	(1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(7,225)**	–
Tax credit for the year	**–**	(328)

10. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**1,400**	900
Depreciation for property, plant and equipment	**16,640**	5,795
Exchange loss, net	**65**	1,014
Other operating expenses (Note)	**11,395**	34,236
Minimum lease payments for operating leases in respect of rented premises	**111,344**	89,017
Gross rental income from investment properties	–	(225)
Less: Direct expense from investment properties	–	107
	–	(118)
Total staff costs (including directors' emoluments)	**88,808**	58,680

Note: Included in the amount is HK$6,692,000 (2011: HK$34,236,000) relating to pre-operating expenses including rental expenses and staff cost incurred in the development of karaoke outlets and related services in the PRC.

The remaining amount represents the expense incurred to settle a legal case.

11. DIVIDEND

No interim dividend is paid during the year (2011: nil), nor has any dividend been proposed since the end of the reporting period (2011: nil).

12. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share, attributable to owners of the Company	**(179,899)**	(81,242)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,718,514**	1,254,181

The weighted average number of ordinary shares for 2012 and 2011 has been adjusted for issue of new shares.

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for year ended 31st December, 2012.

The computation of diluted loss per share for year ended 31st December, 2011 did not assume the conversion of convertible bonds since it would result in a decrease in loss per share.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**40,378**	39,755
Less: allowance for doubtful debts	**(14)**	(16)
	40,364	39,739
Deposits and prepayments (Note 1)	**8,574**	10,563
Other receivables	**2,179**	2,925
	51,117	53,227

Note 1: Included in the amount is HK$2,137,000 (2011: HK$6,229,000) relating to the prepayment of rental expense for karaoke outlets and related services.

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

	2012	2011
	HK$'000	*HK$'000*
0–30 days	**15,370**	15,012
31–60 days	**11,785**	12,094
61–90 days	**9,086**	5,398
91–120 days	**4,067**	3,987
More than 120 days	**56**	3,248
	40,364	39,739

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

14. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**9,547**	4,556
Payable for acquisition of property, plant and equipment	**21,301**	–
Accrual for rental expense	**4,163**	–
Accrued for staff costs	**9,263**	4,969
Other payables	**9,424**	7,610
	53,698	17,135

The aged analysis of trade payables presented based on the invoice date are as follows:

	2012	2011
	HK$'000	*HK$'000*
0–30 days	**4,353**	3,235
31–60 days	**2,797**	1,205
61–90 days	**209**	116
91–120 days	**2,188**	–
	9,547	4,556

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

Non-current other liabilities represented the lease incentive and progressive yearly rental over the lease term of 8 to 10 years.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2012, total revenue of the Group amounted to approximately HK$215 million, up approximately 24% when compared to approximately HK$173 million in the previous financial year.

Net loss for the year attributable to owners of the Company was approximately HK$180 million, compared with a net loss of approximately HK$81 million in the previous year. The increase in net loss was mainly attributable to (i) the continuous operating loss of the KTV business in the PRC; and (ii) the increase in the Group's general operating cost in an inflationary environment. Revenue derived from the Group's cold storage and related services operation remains stable for the year. Loss per share was HK10.47 cents.

The Group is principally engaged in the operations of cold storage and related services, investment holdings, as well as the operation of karaoke outlets and related services in the PRC.

BUSINESS REVIEW

Cold storage and related services

During the financial year of 2012, the Group's business, the cold storage and related services operation, maintained a stable performance with the Group's proper management and flexible strategies, Hong Kong's robust inbound tourism offsetting global and local economic volatility.

During the past year, the lingering Euro zone sovereign debt crisis and the U.S. fiscal cliff concerns brought high volatility to the global market, taking a toll on Hong Kong's economy.

The gross domestic product ("GDP") growth of Hong Kong slowed down significantly to a preliminary 1.4% in 2012 from a 6.8% in 2010 and a revised 4.9% in 2011, according to data from the Census and Statistics Department ("C&SD").

Coupled with rising inflationary pressure, the economic and market volatilities heightened recessionary concerns and significantly impacted consumers' confidence during the year.

Consumer confidence in Hong Kong fell four index points to 85 in the fourth quarter of 2012, according to the latest survey of consumer confidence and spending intentions by Nielsen, a leading global provider of information. The leadership changes in China and Hong Kong also contributed to consumers' cautiousness. The latest reading of 85 on the Hong Kong consumer confidence index is far below the global average of 91, and has declined significantly from its recent high of 104 recorded in the second quarter of 2012.

Amid such less favourable macro-environment, the Group's flexible management and operational strategies provided a cushion. In response to changes in market demand, the Group converted some of its chillers into bonded warehouse facility in the previous year, which are used to store cigarettes, liquor and other dutiable goods. Bonded warehouses generated more satisfactory results during the 2012 financial year, compared with those of the chillers, benefiting the general performance of the cold storage and related services operation.

Meanwhile, the strong showing of Hong Kong's inbound tourism provided a big boost to the local catering industry, bolstering demand for cold storage services.

Visitor arrivals totaled approximately 48.6 million in Hong Kong in 2012, an increase of 16% compared with the total in 2011. Out of the total arrivals, 48.9% or 23.77 million belonged to overnight visitors, 6.5% more than that in 2011, according to statistics of the Hong Kong Tourism Board ("HKTB").

During the year, the Group's cold storages achieved a higher stock turnover rate as some of our clients increased their inventory.

Over all, the Group was able to maintain a stable occupancy rate for its cold storage facility and capture a stable market share in the local cold storage market, thanks also to its quality services in terms of effective temperature & humidity controls, an efficient computerized data processing system, strong logistics support and customer services.

However, rising inflationary pressure weighed on the Group's operating cost, offsetting the increase in the cold storage rental fees the Group implemented at the beginning of 2012. As a result, operating profitability saw just a little change compared with the previous year.

The Group's logistics services business also maintained stable performance during the year. The logistics services operation mainly serves our cold storage customers. This added-value service helped the Group retains its cold storage customers and boost the overall profit margins of the cold storage and related services operation.

The Group produces industrial ice bars for construction use. The industrial ice bars business steadily growing during the 2012 financial year and is expected continuously as construction works are still in progress on several large-scale public infrastructure projects in Hong Kong such as the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong Section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Kai Tak Development project, the South Island Line and the Shatin to Central Link.

The real estate boom in Hong Kong, driven by soaring property prices, is also likely to generate continuous demand for industrial ice bars.

Karaoke outlets and related services ("KTV")

The Group has diversified its businesses into KTV operation in the PRC by setting up joint ventures since 2010, targeting the huge business potential brought by ever growing leisure and cultural consumption along with rising household incomes and the general education level in the PRC.

Recently, the Group has started commercial operation at its outlets in Shanghai and in Beijing. Due to cultural and regulatory differences between the mainland and Hong Kong, the Group has encountered various problems in its mainland KTV operation in terms of license application, project renovation, procurement, etc.

Being in the development phase, this new business segment recorded an operating loss during the 2012 financial year.

The Group is committed to building up the brand image of its KTV operation by putting more efforts on marketing, and increasing business volume by improving sales technique. Meanwhile, some business restructuring will be implemented to tackle the various problems encountered.

The Management is not in a hurry to open more KTV outlets in the immediate future. Rather, it will focus on and devote resources to those KTV outlets that are already in commercial operation.

Investment (Hotel and resort in operation in Macau)
The business performance of the Group's hotel resort complex operation in Macau saw favourable improvement during the financial year of 2012, with the rising of room occupancy rate, thanks to Macau's booming tourism industry, particularly the ever growing visitors from the PRC.

The overall number of visitor arrivals in Macau amounted to approximately 28.1 million in 2012, a year-on-year increase of 0.3% over the previous year, with mainland Chinese visitors accounting for the biggest share, according to statistics of the Macau Government Tourist Office ("MGTO").

The number of visitors from the PRC, who are one of the major client groups of the Group's hotel, rose 4.6% year-on-year to 16.9 million in 2012, accounting for 60.2% of Macau's total number of visitors during the year.

Located on the Taipa Island, the Group's hotel resort complex operation is particularly in a favourable position to benefit from increased tourists brought by the opening of more tourist spots and mega entertainment hubs in the vicinity such as Galaxy Entertainment Group's Galaxy Macau and Sands China's Sands Cotai Central.

The staging of more and more large-scale exhibitions, concerts and other events on the Taipa Island has also brought more tourists to the area, boding well for the occupancy rate of the Group's hotel.

PLEDGE OF ASSETS

As at 31st December, 2012, banking facilities to the extent of HK$3.5 million (2011: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2011: HK$3.5 million). The amount utilised at 31st December, 2012 was approximately HK$3.5 million (2011: approximately HK$3.2 million).

As at 31st December, 2012, bank deposits of approximately HK$75 million (2011: approximately HK$75 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 31st December, 2012, the Group had cash and bank balances of approximately HK$55 million (2011: approximately HK$90 million). The decrease was mainly due to the operation of KTV outlets. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 17% as at 31st December, 2012 (2011: approximately 12%). The increase was mainly due to the decrease of equity attributable to owners of the Company.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more KTV outlets operate in the PRC. As the Renminbi to Hong Kong dollar exchange rates is not accelerated significantly during the year, the directors will review the exchange rate risks faced by the Group periodically. During the year under review, the Group's capital expenditure was financed by internal cash generation and new shares issues.

SHARE CAPITAL STRUCTURE

As at 31st December, 2011, the total issued share capital of the Company was HK$14,394,200 divided into 1,439,420,000 ordinary shares with a par value of HK$0.01 each.

On 19th April, 2012, the Company entered into a share placing agreement for the placement of 287,884,000 new shares at HK$0.108 each. The share placing arrangement was completed on 30th April, 2012. The net proceeds of approximately HK$30.8 million are used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 19th April, 2012 and 30th April, 2012.

On 21st September, 2012, the Company entered into a share placing agreement for the placement of 345,000,000 new shares at HK$0.125 each. On 24th September, 2012, the Company entered into a supplemental placing agreement, under which the placing price has been amended to HK$0.135 per share. The share placing arrangement was completed on 3rd October, 2012. The net proceeds of approximately HK$46.1 million are used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 21st September, 2012, 24th September, 2012 and 3rd October, 2012.

As a result of the share placing arrangements, the total issued share capital of the Company was HK$20,723,040 divided into 2,072,304,000 ordinary shares with a par value of HK$0.01 each as at 31st December, 2012.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2012, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 270 and 570 respectively (31st December, 2011: approximately 270 Hong Kong employees; 340 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 and professional tuition/training subside for employees' benefit.

PROSPECTS

The prospects of the Group's businesses are getting brighter as the macro conditions of the global economy, particularly those of the U.S., Europe and China, gradually improve.

There are signs that the global economy is slowly moving out of the soft patch in 2012, when the global economy slowed down due to the spillovers of the euro zone sovereign-debt crisis, according European Union's ("EU") European Economic Forecast (Winter 2013) published in January 2013.

The latest readings of survey indicators suggest that both the EU economy and the euro zone economy are bottoming out at the beginning of this year, according to the EU report.

The GDP in the EU is forecast to remain broadly unchanged in 2013. In 2014, both the EU and the euro zone are forecast to grow by around 1.5%, versus a contraction of 0.3% and 0.6% in 2012, respectively, according to the EU report.

Meanwhile, the recovery in the U.S. economy, the world's largest, is expected to pick up in the next couple of years after the Federal Reserve implemented several rounds of monetary quantitative easing (QE) in the past few years.

In September 2012, top officials at the Federal Reserve upgraded their 2013 growth forecast for the U.S. economy to 2.5-3% from the 2.2-2.8% estimated in June 2012; their estimate for 2014 was also raised to 3-3.8% from the 3-3.5% in the previous forecast. These forecasts suggest a significant acceleration in the momentum of U.S' economic recovery, considering the fact that the U.S. GDP grew merely by a revised 0.1% in the fourth quarter of 2012.

While the Management is generally optimistic about the prospects for the Group's operations, it sees some challenges ahead, particularly the rising inflationary pressure, which weighs on the Group's operating cost.

Hong Kong's headline consumer price index ("CPI") inched up 0.3% in January 2013 after climbing up 1.2% in December 2012, according to data from the C&SD.

The average salary of employees in Hong Kong continued to rise, climbing 6.6% and 6.3% in nominal terms in the second and third quarter of 2012, according to data from the C&SD.

Cold storage and related services

Along with the improving situation in the key developed economies of the world, the economic growth in Hong Kong is on track to accelerate in the coming year, boding well for the prospects for the Group's cold storage and related services.

Hong Kong's economic growth is expected to accelerate to 1.5-3.5% in 2013 from the 1.4% expansion in 2012, according to official forecast.

The business performance of the Group's cold storage and related services is expected to remain stable in the coming year as demand for cold stage services remains steady and is likely to grow further when consumer confidence rebounds amid a persistently low unemployment rate.

The unemployment in Hong Kong remained at a record low of 3.4% in the three-month period ending January 2013, versus an estimated 3.3% for 2012, according to statistics of the C&SD.

The outlook for industrial ice bars also remains positive as construction works on several large-scale public infrastructure projects are in progress, and are likely to last several years. In his 2013-14 budget speech delivered in February 2013, Hong Kong's Financial Secretary John Tsang Chun Wah said the Hong Kong government had earmarked HK$70 billion for capital works expenditure for the next fiscal year ending March 2014.

Construction of residential and commercial projects are also expected to accelerate in Hong Kong after the Hong Kong government sped up land sales in the past few years in response to soaring property prices in the city amid strong demand from home buyers and investors.

Challenges ahead, the Group is faced with the problem of insufficient cold storage capacity, thanks for the increase in our clients. The Group will strive to maximize the use of its cold storage to provide more storage capacity by improving the warehouse management system and being more selective in choosing customers. The Management will focus on customers with high stock turnover rates.

Besides, the Management will continue to add value to the Group's services to customers of its cold storage business in terms of technological innovation, and will shift its operational direction in response to new developments and changes in the market, for example, converting more chillers to bonded warehouse when appropriate.

KTV

The Group's new business segment, the KTV operation in the PRC, is still in the development phase and has yet to contribute positively to the Group's operating results. But the Management foresees challenging for this business, need to strengthen the marketing ability and streamlining the cost structure of the business.

The GDP of China grew 7.8% in 2012 over the previous year, according to data from the National Bureau of Statistics of China ("NBS").

The Chinese economy will keep growing steadily in 2013 despite some economic challenges at home and abroad, the Chinese Academy of Sciences ("CAS") said in a forecast released in January 2013. The CAS has forecast a bullish 8.4% expansion in the Chinese GDP for 2013, though the Chinese government has set a much conservative growth target of 7.5%.

China's fixed-asset investment in the cultural, sport and leisure industry totalled RMB 378 billion in the first 11 months of 2012, an increase of 35.2% from the same period of 2011, according to statistics of the NBS.

While striving to grow the KTV operation, the Management is committed to put more efforts into improving this business segment. Specifically, the Management will implement some operational restructuring in its KTV operation after reviewing the various problems encountered during commercial operation, hoping to enable this new business segment to break even as soon as possible and make profit in future.

According to the above, although there are many variation, problem and challenge have found when growing the KTV operation. The Management is still highly cautions about the operations and will reinforcing more efforts to solve the problem. The Management will continue to review the operations and will unremittingly consider more practicable decision to improve this business segment.

Investment (Hotel and resort in operation in Macau)

With the continuous boom in the inbound tourism of Macau, the only Chinese city that allows legal gambling, the Management remains optimistic about the future for the Group's hotel resort complex operation in the city.

The redevelopment and expansion of the Taipa Ferry Terminal, which will link with the Macau International Airport, is likely to bring more visitors to this area in the future, given the more convenient transportation. The construction of Taipa's permanent ferry terminal is on track to complete by mid-year.

The Management believes that with more mega entertainment centers opening in Taipa, the area is rapidly developing into a new hub of recreation and leisure, which is likely to attract more visitors to this area, benefiting nearby businesses including the Group's Grand Waldo Hotel.

Furthermore, as more and more entertainment centers are expected to open in Taipa, land prices in Taipa are likely to rise further in the future, bringing potential for appreciation in the land value of the Group's investment.

There are concerns that Macau's tourism and gaming industry will face increasing challenges from Singapore and Taiwan, which are also eagerly developing their only inbound tourism. But the Management believes that Macau's tourism won't be significantly affected whatever as Macau's advantage of geographical vicinity to China will never disappear.

Outlook

Regarding to the mentioned challenges as above, the Management will continue its efforts to solve various problems encountered of the businesses as above to meet the challenges at the future. Furthermore, the Management will strive to enhance the operational efficiency of the Group's operations to minimize the increase in operating costs in order to improve its profit margins.

In its pursuit of sustainable business growth, the Management will continue to providently explore potential investment opportunities while prudently operates the Group's existing businesses.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2012 (2011: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2012.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has applied and complied with the principles of the code provision and certain recommended best practices under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2012, except for the deviations as stated below.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there is no Chairman in the Company. Since there is no Chairman in the Company during the year ended 31st December, 2012, there was no meeting held between the Chairman and the non-executive directors (including independent non-executive directors) without the executive director present.

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 and A.2.7 if necessary of the CG Code.

According to the code provision of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An independent non-executive director was unable to attend the annual general meeting of the Company held on 21st May, 2012 (the "AGM") due out of town. The chairmen of Remuneration and Nomination Committees had attended the AGM. In absence of the chairman of Audit Committee, the Board had invited another member of Audit Committee to attend the AGM to comply with code provision E.1.2 of the CG Code.

Internal Controls

The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, executive directors and the senior management would meet at least 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 year ended 31st December, 2012, the Group has strengthened the accounting system by optimising computerisation for reinforcing the internal audit on financial control of accounts receivable and payable and the labour costs of the new business division of the PRC.

In addition, in order to safeguard assets and enhance the accuracy and reliability of its accounting records, the subsidiaries of the Company in the PRC has arranged periodically fixed assets count, monthly stocktaking and daily cash count in operating activities during the year. Reconciliation of the differences in the figures between the physical counting results and the accounting records have been carried out followed by thorough investigation of any discrepancies. Apart from the above, there are also implemented the segregation of duties in this control.

During the year ended 31st December, 2012, the whistleblowing policy was adopted by the Audit Committee. The policy is intended to encourage and enable employees of the Company to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Company.

As an integral part of good corporate governance, the internal control system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

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 year under review.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Leung Chi Hung (Chairman), Mr. Fung Siu Kit, Ronny and Mr. Tse Yuen Ming.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year, including the accounting principles and practice adopted by the Group, and discussed matters relating to auditing, internal controls and financial reporting.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December, 2012 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE HKExnews AND THE COMPANY

This announcement is published on the HKExnews website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/daido/index.htm.

The 2012 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the HKExnews and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board of
Daido Group Limited
Au Tat Wai
Chief Executive Officer

Hong Kong, 28th March, 2013