DAIDO

DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

The board of directors (the "Board") of Daido Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2013, together with the comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	Notes	**Six months ended 30.6.2013** ***HK$'000*** **(unaudited)**	Six months ended 30.6.2012 *HK$'000* (unaudited)
Revenue	*3*	**117,434**	92,522
Direct costs		**(123,869)**	(92,481)
Gross (loss) profit		**(6,435)**	41
Other income	*4*	**3,712**	3,545
Other gains and losses	*5*	**39,897**	(4,120)
Selling and distribution expenses		**(7,645)**	(3,380)
Administrative expenses		**(24,776)**	(18,054)
Other operating expenses	*6*	**-**	(30,001)
Impairment loss on property, plant and equipment	*7*	**(31,448)**	(30,000)
Impairment loss on available-for-sale investments	*8*	**(4,500)**	(10,000)
Finance costs	*9*	**(2,342)**	(2,488)

* *For identification purpose only*

	Notes	**Six months ended 30.6.2013** ***HK$'000*** **(unaudited)**	Six months ended 30.6.2012 *HK$'000* (unaudited)
Loss before tax	*10*	**(33,537)**	(94,457)
Income tax expense	*11*	**-**	-
Loss for the period		**(33,537)**	(94,457)
Other comprehensive (expense) income			
Item that may be subsequent reclassified to profit or loss			
Exchange difference arising on translation of financial statements of the foreign operations		**(1,049)**	273
Total comprehensive expense for the period		**(34,586)**	(94,184)
Loss for the period attributable to:			
Owners of the Company		**(32,961)**	(94,457)
Non-controlling interests		**(576)**	-
		(33,537)	(94,457)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(34,010)**	(94,184)
Non-controlling interests		**(576)**	-
		(34,586)	(94,184)
Loss per share – basic	*13*	**HK(1.38) cents**	HK(6.14) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2013

	Notes	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**42,528**	77,798
Goodwill		**8,513**	8,513
Available-for-sale investments		**39,120**	43,620
Financial assets at fair value through profit or loss		**8,149**	8,207
Loans to an investee		**-**	69,107
Deposits for acquisition of property, plant and equipment		**4,371**	2,880
Rental deposits paid		**25,202**	24,592
Pledged bank deposits		**78,718**	78,718
		206,601	313,435
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	*14*	**48,826**	51,117
Inventories		**2,307**	2,075
Loans to an investee		**112,000**	-
Held-for-trading investments		**892**	877
Bank balances and cash		**70,874**	54,916
		234,899	108,985
CURRENT LIABILITIES			
Trade and other payables	*15*	**58,060**	53,698
Obligations under finance leases		**381**	375
Promissory notes		**9,934**	9,762
Amount due to non-controlling interests of a subsidiary		**26,295**	-
		94,670	63,835
NET CURRENT ASSETS		**140,229**	45,150
TOTAL ASSETS LESS CURRENT LIABILITIES		**346,830**	358,585

	Notes	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital		**24,323**	20,723
Share premium and reserves		**282,070**	274,074
Equity attributable to owners of the Company		**306,393**	294,797
Non-controlling interests		**13,769**	14,237
		320,162	309,034
NON-CURRENT LIABILITIES			
Obligations under finance leases		**156**	347
Amount due to non-controlling interests of a subsidiary		**-**	24,594
Promissory notes		**12,840**	12,392
Other liabilities		**13,672**	12,218
		26,668	49,551
		346,830	358,585

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

HKFRS 10	*Consolidated Financial Statements;*
HKFRS 11	*Joint Arrangements;*
HKFRS 12	*Disclosure of Interests in Other Entities;*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance;*
HKFRS 13	*Fair Value Measurement;*
HKAS 19 (as revised in 2011)	*Employee Benefits;*
HKAS 27 (as revised in 2011)	*Separate Financial Statements;*
HKAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures;*
Amendments to HKFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities;*
Amendments to HKAS 1	*Presentation of Items of Other Comprehensive Income;*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2009-2011Cycle; and*
HK (IFRIC) – Int 20	*Stripping Costs in the Production Phase of a Surface Mine.*

HKFRS 13 *Fair Value Measurement*

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The Group have extended the disclosures on financial assets at fair value through profit or loss and held for trading investments.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Under the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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 has no 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 financial statements for the year ending 31st December, 2013.

Amendments to HKAS 34 ***Interim Financial Reporting***
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. As a result, such information is presented in note 3.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Six months ended 30.6.2013

	Cold storage and related services *HK$'000*	**Karaoke outlets and related services** *HK$'000*	**Total** *HK$'000*
Revenue	**91,107**	**26,327**	**117,434**
Segment loss	**(1,262)**	**(62,544)**	**(63,806)**
Unallocated income			**3,442**
Unallocated expenses			**(6,228)**
Change in fair value of financial instruments			**(59)**
Adjustment on loans to an investee			**39,956**
Impairment loss on available-for-sale investments			**(4,500)**
Finance costs			**(2,342)**
Loss before tax			**(33,537)**

Six months ended 30.6.2012

	Cold storage and related services *HK$'000*	Karaoke outlets and related services *HK$'000*	Total *HK$'000*
Revenue	86,350	6,172	92,522
Segment loss	(4,163)	(70,208)	(74,371)
Unallocated income			3,079
Unallocated expenses			(6,297)
Change in fair value of financial instruments			729
Adjustment on loans to an investee			(5,109)
Impairment loss on available-for-sale investments			(10,000)
Finance costs			(2,488)
Loss before tax			(94,457)

Segment result represents the loss from each segment without allocation of interest income, certain sundry income, central administration costs, change in fair value of 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:

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
ASSETS		
Cold storage and related services	**77,314**	82,563
Karaoke outlets and related services	**51,747**	82,833
Total segment assets	**129,061**	165,396
Unallocated assets	**312,439**	257,024
Consolidated assets	**441,500**	422,420
LIABILITIES		
Cold storage and related services	**16,429**	16,354
Karaoke outlets and related services	**44,214**	49,127
Total segment liabilities	**60,643**	65,481
Unallocated liabilities	**60,695**	47,905
Consolidated liabilities	**121,338**	113,386

4. OTHER INCOME

	Six months ended 30.6.2013	Six months ended 30.6.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**505**	372
Imputed interest income from loans to an investee	**2,937**	2,707
Sundry income	**270**	466
	3,712	3,545

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2013	Six months ended 30.6.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Fair value (loss) gain on financial assets at fair value through profit or loss	**(58)**	630
Fair value (loss) gain on held-for-trading investments	**(1)**	99
Gain on disposal of property, plant and equipment	**-**	260
Adjustment on loans to an investee	**39,956**	(5,109)
	39,897	(4,120)

6. OTHER OPERATING EXPENSES

For the six months ended 30th June, 2012, HK$25,298,000 represents pre-operating expenses including rental expenses and staff cost incurred in the development of karaoke outlets and related services in the People's Republic of China ("PRC"). The remaining amounts represent provision of HK$4,703,000 to settle a legal case in prior period.

7. IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT

During the current period, the performance of the karaoke outlets and related services are worse than cash flow projections. On 21st June, 2013, the Group entered into the disposal agreements with Golden Channel Limited, an independent third party, for the disposal of the entire issued share capital of certain subsidiaries (collectively the "Disposal Group") which carried the Group's entire karaoke outlets and related services operations at a net consideration of HK$30,000,000 (the "Proposed Disposal"). Deposit of HK$10,000,000 was received from Golden Channel Limited up to 30th June, 2013. As disclosed in note 16, the completion of the Proposed Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions precedent set out in the circular publicly published on 11th July, 2013. The directors of the Company re-assessed the recoverable amounts of the karaoke outlets and related services taking into consideration the revision of cash flow projections and the Proposed Disposal. The recoverable amounts of the karaoke outlets and related services have been determined based on the higher of fair value less costs to sell and value in use calculation. As at 30th June, 2013, the fair value less costs to sell of the operation of karaoke outlets and related services is based on the net consideration less related transaction costs. As a result, an impairment loss of HK$31,448,000 is recognised in profit or loss in respect of the property, plant and equipment related to the karaoke outlets and related services based on the fair value less costs to sell, after taking into account the other assets and liabilities to be disposed of within the Group.

In prior period, the recoverable amount of the karaoke outlets and related services has been determined on the basis of value in use, the calculations of which were based on the cash flow projections based on the latest financial budgets approved by the management covering a period of 3.5 years at a discount rate of 20% per annum. In financial budgets, all the karaoke outlets are expected to be in operation by 2013 and the growth rates of the karaoke outlets are estimated at 29% and 18% in 2014 and 2015 respectively. The cash flows beyond the 3.5-year period are extrapolated up to the 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 in prior period. An impairment loss of HK$30,000,000 was recognised in prior period.

8. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

On 4th May, 2013, the indirectly owned investee, which holds the hotel resort complex operation in Macau, and its major shareholder entered into an assets purchase agreement with some subsidiaries of Galaxy Entertainment Group Limited, an independent third party and a listed company on the Main Board of the Hong Kong Stock Exchange, to dispose of the underlying properties of hotel resort complex and other assets in some subsidiaries of its major shareholder at a cash consideration of HK$3,250,000,000. The disposal of these assets is subsequently completed on 17th July, 2013. The Group re-assessed the recoverable amount of the available-for-sale investments taking into account the expected future cash flows of the investments including the cash flow generated from the aforesaid disposal. An impairment loss of HK$4,500,000 is recognised in current period as the recoverable amount is lower than the carrying value (for the six months ended 30th June, 2012: HK$10,000,000).

9. FINANCE COSTS

	Six months ended 30.6.2013 ***HK$'000*** **(unaudited)**	Six months ended 30.6.2012 *HK$'000* (unaudited)
Interest on obligations under finance leases	**21**	34
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**1,701**	1,701
Imputed interest expense on promissory notes	**620**	753
	2,342	2,488

10. LOSS BEFORE TAX

	Six months ended 30.6.2013 ***HK$'000*** **(unaudited)**	Six months ended 30.6.2012 *HK$'000* (unaudited)
Loss before tax for the period has been arrived at after charging the following item:		
Depreciation of property, plant and equipment	**6,900**	6,123
Other operating expenses (Note 6)	**-**	30,001

11. INCOME TAX EXPENSE

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

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

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

12. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2013 and 30th June, 2012.

13. LOSS PER SHARE

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

	Six months ended 30.6.2013	Six months ended 30.6.2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share	**(32,961)**	(94,457)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,384,569**	1,537,490

The weighted average number of ordinary shares has been adjusted for share issue.

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for the period ended 30th June, 2013 and 2012.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK$35,655,000 (31.12.2012: HK$40,364,000).

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 - 30 days	**16,474**	15,370
31 - 60 days	**12,058**	11,785
61 - 90 days	**7,123**	9,086
91 - 120 days	**-**	4,067
More than 120 days	**-**	56
	35,655	40,364

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$9,272,000 (31.12.2012: HK$9,547,000).

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**6,199**	4,353
31–60 days	**1,203**	2,797
61–90 days	**415**	209
91-120 days	**1,455**	2,188
	9,272	9,547

Included in other payables are accrual for the acquisition of property, plant and equipment and construction cost payables in aggregate amounting to HK$17,124,000 (31.12.2012: HK$21,301,000) for the development of karaoke outlets and related service in the PRC and deposit received from the Proposed Disposal as disclosed in note 7 amounting to HK$10,000,000 (31.12.2012: Nil).

16. EVENT AFTER THE REPORTING PERIOD

As disclosed in note 7, the completion of the Proposed Disposal is conditional upon the satisfaction or, if applicable, waiver of the conditions precedent set out in the circular publicly published on 11th July, 2013. The Proposed Disposal was approved by the Company's shareholders at the special general meeting of the Company on 26th July, 2013. The Proposed Disposal is subsequently completed on 1st August, 2013. Upon the completion of the Proposed Disposal, the Group ceased all operations and business of the Disposal Group which will be presented as a discontinued operation in the consolidated financial statements of the Group in the period in which the disposal occurs. The directors of the Company considered that no material gain or loss will be resulted in profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2013, total revenue of the Group amounted to approximately HK$117 million, up approximately 25.8% when compared to approximately HK$93 million in the first half of the previous financial year.

The loss for the period attributable to owners of the Company was approximately HK$33 million, compared with the loss of approximately HK$94 million in the same period of the previous financial year. The decrease in loss was mainly attributable to (i) positive adjustment on loans to an investee; (ii) reduction of impairment loss on available-for-sale investments; and (iii) significant amount of pre-operating expenses in the development of karaoke outlets and related services in the PRC in previous period. Revenue derived from the Group's cold storage and related services operation remains stable for the period under review. Loss per share was HK1.38 cents.

During the period under review, the overall turnover and the profit margins of the Group's operations maintained at around the same levels of the previous year.

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 six-month period, the performance of the Group's core business, the cold storage and related services operation, remained stable, as the Hong Kong economy continued to expand moderately during the period, with the robust performance of the inbound tourism offsetting the lackluster performance of the external trade sector.

While the external sector still faced an unsteady global economic environment, the domestic sector remained relatively resilient. Hong Kong's gross domestic product ("GDP") grew by a revised 2.9% year-on-year in real terms in the first quarter of 2013, slightly higher than the 2.8% expansion in the preceding quarter, according to data from the Census and Statistics Department ("C&SD"). At current market prices, the GDP increased by 4.3% in the first quarter of 2013 over the same period of the previous year. In the second quarter of 2013, Hong Kong's GDP growth accelerated to 3.3% year-on-year in real terms and eased to 4.0% year-on-year in nominal terms.

Amidst an inflationary environment, the Group managed to raise the rental rates for the cold storage at the beginning of 2013 and again in July 2013. The overall turnover of the cold storage business remained stable after the two counts of rental increase.

The rising operating costs in terms of property rental, staff salary, electricity bills, water bills and maintenance fees have taken their toll on the Group's cold storage business, and continue to pose a challenge to the operation. Cost control will remain a key task for the Management. The Management has implemented various strategies to raise the efficiency of the cold storage operation, and will continue to do so in the course of business operation. The Management will also continue to upgrade and improve services to retain the existing customers and gain new customers.

The Group's logistic services business also remained stable performance during the six-month period. The logistic services operation mainly serves the Group's cold storage customers, which account for around 80-90% of the overall clientele of the logistic services. This operation is a value-added service that helps the Group retain 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, and has snatched up a certain market share in the local industrial ice market. The Group's industrial ice bars business grew steadily during the first half of 2013 as construction works are progressing 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 Kwun Tong Line Extension, the South Island Line and the Shatin to Central Link. Demand for industrial ice bars is expected to continue to grow in the foreseeable future as construction works progress in full speed while the real estate boom in Hong Kong is also likely to generate continuous demand for industrial ice bars. Both of these scenarios bode well for the profit prospect for the Group's industrial ice business.

Karaoke outlets and related services ("KTV")

In pursuit of business diversification and expansion, the Group expanded into KTV operation in the PRC by setting up joint ventures since 2010, targeting the business potential brought by growing leisure and cultural consumption in the PRC. However, due to cultural and regulatory differences between the Chinese mainland and Hong Kong, the Group has encountered various problems in its mainland KTV operation in terms of license application, project renovation, materials procurement, etc.

The Group's KTV operation has been running at a loss partly due to the above-mentioned problems and is expected to require further large capital commitment before achieving the economics of scale and a turnaround.

The Management decided to dispose of the KTV business after a comprehensive strategic evaluation on this operation and the overall business strategy of the Group.

On 21st June, 2013, the Group entered into two disposal agreements (the "Disposal Agreements") with Golden Channel Limited, an independent third party, for the sale of the Company's certain subsidiaries, which are principally engaged in the operation of karaoke outlets, food and beverage outlets in the PRC as well as wine and beverage trading business in the PRC, (collectively known as the ''Disposal Group'') to the latter (the "Transactions").

The Disposal Agreements and the Transactions were already approved by the shareholders of the Group by way of a poll at a special general meeting held on 26th July, 2013 and the Transactions have been completed on 1st August, 2013. The net proceeds from the Transactions will be used as general working capital of the Group.

In view of the unsatisfactory loss-making results of the Disposal Group for the two years ended 31st December, 2012. The Directors believe that the disposal of the KTV business segment is in the interest of the Group and its shareholders as a whole, as it allows the Group to exit from the loss-making business, free up capital commitment and allocate more resources to the Group's cold storage and related services.

For further details, please refer to the announcements and/or circulars of the Company dated 26th July, 2013, 11th July, 2013, 21st June, 2013 and 24th May, 2013.

Investment (Hotel and resort operation in Macau)

The Group, through its subsidiaries and certain investment vehicles, held 6% effective interest in Great China Company Limited ("Great China") and the Grand Waldo Hotel resort complex in Macau, which was majority-owned and controlled by the Group's business partner Get Nice Holdings Limited ("Get Nice", HKEx:0064).

Get Nice decided to dispose of the Grand Waldo Hotel resort complex (the "Disposal") after a thorough evaluation on the merits of the Disposal.

Great China has received the first payment (pro rata) for the Disposal after the Disposal was completed on 17th July, 2013, and will receive the second payment after 18 months. The Group has received repayment of the loans to an investee on 24th July, 2013.

Get Nice believes that the Disposal presents a good opportunity for it to realise its investment in the Grand Waldo Hotel resort complex operation, which has posted unsatisfactory operating results.

The Disposal generated considerable cash inflow for the Group to strengthen its working capital, providing more capital resources for exploring other more promising business and investment opportunities.

For further details, please refer to the announcements and/or circulars of Get Nice dated 17th July, 2013, 24th May, 2013 and 5th May, 2013.

PLEDGE OF ASSETS

As at 30th June, 2013, banking facilities to the extent of HK$3.5 million (31st December, 2012: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (31st December, 2012: HK$3.5 million). The amount utilised at 30th June, 2013 was approximately HK$3.5 million (31st December, 2012: approximately HK$3.5 million).

As at 30th June, 2013, bank deposits of approximately HK$75 million (31st December, 2012: 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 30th June, 2013, the Group had cash and bank balances of approximately HK$71 million (31st December, 2012: approximately HK$55 million). The increase was mainly due to the proceeds from the issuance of new shares. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 8.7% as at 30th June, 2013 (31st December, 2012: approximately 16.8%). The decrease was mainly attributable to reclassification of amount due to non-controlling interests of a subsidiary to current liabilities and the increase 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 directors will review the exchange rate risks faced by the Group periodically.

During the period under review, the Group's capital expenditure was financed by internal cash generation and new shares issues.

SHARE CAPITAL STRUCTURE

As at 31st December, 2012, 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.

On 17th January, 2013, the Company entered into a share placing agreement for the placement of 360,000,000 new shares at HK$0.128 each. The share placing arrangement was completed on 25th January, 2013. The net proceeds of approximately HK$45.6 million are used for general working capital of the Group.

For further details, please refer to the announcements of the Company dated 25th January, 2013 and 17th January, 2013.

As a result of the share placing arrangement, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each as at 30th June, 2013.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2013, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 260 and 300 respectively (31st December, 2012: approximately 270 Hong Kong employees; 570 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 for the Group's operations are improving along with the global and local macroeconomic environment.

With a visible recovery in the U.S. housing sector and a stabilising labour market, the U.S. economy, the world's largest, is gaining strength, albeit still at a slow pace. The growth in the U.S. GDP has accelerated to 1.7% in the second quarter of 2013 from a revised 1.1% in the first quarter, according to data from the Bureau of Economic Analysis, a unit of the U.S. Department of Commerce.

Meanwhile, the Chinese economy, the world's second largest, has sustained solid growth. China's GDP growth slightly eased to 7.5% in the second quarter of 2013 from 7.7% in the first quarter, data from the National Bureau of Statistics ("NBS") of China shows. Growth in the first half of the year stood at 7.6%, which was above the government's full-year target of 7.5%.

Benefiting from the strong mainland economy, Hong Kong's economy is expected to maintain moderate growth in the months ahead. The Hong Kong government maintained its GDP growth forecast of 1.5-3.5% for 2013 in the First Quarter Economic Report 2013 released on 10th May, 2013.

Cold storage and logistics services

With the macroeconomic environment improving, the Group sees a brighter outlook for its cold storage and related services, which will particularly benefit from the robust domestic consumption and the thriving inbound tourism.

The domestic consumption in Hong Kong is expected to stay resilient, underpinned by the healthy growth in household incomes amidst the still largely favourable labour market conditions, said Helen Chan, the Government Economist, in the First Quarter Economic Report 2013.

The unemployment in Hong Kong declined to 3.3% in June 2013 from 3.4% in May 2013, according to statistics of the C&SD. The current jobless rate is lower than the average jobless rate of 3.75% from 1981 until June 2013.

Private consumption expenditure in Hong Kong grew by 7.0% in real terms in the first quarter of 2013 from a year earlier, according to the First Quarter Economic Report 2013. Meanwhile, median household income rose by 5.8% in nominal terms in the first quarter over a year earlier, or by 2.0% in real terms after discounting inflation.

Visitor arrivals in Hong Kong totalled 25.4 million in the first six months of 2013, an increase of 13.6% when compared with the same period of the previous year, according to data from the Hong Kong Tourism Board. In 2012 whole year, a total of 48.6 million visitors, almost seven times the size of Hong Kong's local population, came to the city, representing a 16% increase from 2011. Total tourism expenditure associated to inbound tourism in 2012 amounted to HK$296.6 billion, 14.6% more than in 2011.

The improving external trade situation in Hong Kong, the transhipment hub in the region, also bodes well for the cold storage industry in the city. According to data from the Census and Statistics Department (C&SD), merchandise imports totalled HK$1,391 billion in the first five months of 2013, an increase of 4.7% over the same period of 2012. The pace in import growth has accelerated from the 3.9% recorded in the whole year of 2012. Merchandise re-exports amounted to 1,371 billion in the first five month of 2013, up 4.0% over the same period of 2012. The pace in re-export growth has also accelerated from the 3.2% recorded in the whole year of 2012.

Outlook for industrial ice

The Management also remains optimistic about the outlook for industrial ice bars business in the coming years.

Aside from the numerous on-going large-scale public infrastructure projects, the Northeast New Territories development project is also likely to generate huge demand for industrial ice bars, when the new town development project is eventually adopted and implemented by the Hong Kong government.

Challenges ahead

While remaining optimistic about the prospects for the Group's businesses, the Management keeps a watchful eye on the challenges ahead.

Despite some improvement, the global economic landscape is not without challenges. The eurozone is still mired in its longest recession, with a record high unemployment rate of 12.1% in May, according to data from the EU statistics office Eurostat. The recovery in the U.S. economy remains feeble while China's economy has showed signs of deceleration amidst structural reform.

Amidst the inflationary environment, cost control continues to be a major challenge to all kind of business including those of the Group. Hong Kong's Composite Consumer Price Index ("CPI") rose 3.9% year-on-year in May 2013, according to data from the C&SD.

Rising labour cost, fuel prices, electricity and water bills and maintenance fees weigh on the profit margins of the Group's cold storage and logistic services operations. Wages in both the merchandise trade and transportation sectors in Hong Kong increased by 3.6% in March 2013, compared with the same period of 2012, according to data from the C&SD. Crude oil is hovering at a relatively high level of around US$106 per barrel in New York trading.

Corporate strategy/long-term business model

The Group has established a clear corporate strategy of focusing on its core businesses, the cold storage and logistic operations, while seeking promising new business opportunities.

In the face of the rising pressure of operating costs, the Management will vigorously explore various cost control measures to maintain the Group's profit margins. The Management will also continue to improve the efficiency of the cold storage operation by optimising the warehouse management system and prioritising customers with high stock turnover rates.

Providing value-added services to our customers through technological innovation is another way for the Group to improve the efficiency of its cold storage operation. The Management will also maintain flexibility in its operational strategy, adjusting its operational direction in response to new developments and changes in the market. The Management has demonstrated such flexibility over the years, as indicated by the move to convert chillers into bonded warehouse in response to market demand in recent years.

In line with its established corporate strategy of maximising shareholders' value, the Management will continue to explore business opportunities in promising sectors that are expected to benefit from global and local economic growth in the long term.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2013 (2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2013.

CORPORATE GOVERNANCE

Corporate Governance Code

For the first half of 2013, the Board of the Directors is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, save for an exception specified and explained below:

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

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

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, 2013 with the Directors. At the request of Audit Committee, the Group's external auditors have carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee comprises all of the three Independent Non-executive Directors, namely Mr. Leung Chi Hung, Mr. Fung Siu Kit, Ronny and Mr. Tse Yuen Ming. Mr. Leung Chi Hung is the chairman of the Audit Committee.

Nomination Committee

In order to comply with the amendments to the CG code on board diversity effective on 1st September, 2013, the Board Diversity Policy of the Company was adopted by the Board on 29th August, 2013. This Policy aims to set out the approach to achieve diversity on the Board. The Nomination Committee shall give due regard to the benefits of diversity on the Board against objective criteria in reference to this Policy when performing duties.

Internal Control

The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, executive directors and the senior management would meet at least one time regularly 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 six months ended 30th June, 2013, the Board was satisfied that the internal control system is effective and that nothing has come to its attention to cause the Board to believe the Group's internal control system is inadequate. Moreover, the system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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 2013 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of 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. 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
Executive Director

Hong Kong, 29th August, 2013