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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, 2015

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, 2015, together with the comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

	<i>Notes</i>	Six months ended 30.6.2015 HK\$'000 (unaudited)	Six months ended 30.6.2014 HK\$'000 (unaudited)
Revenue	3	129,104	96,846
Direct costs		(107,821)	(90,918)
Gross profit		21,283	5,928
Other income	4	1,093	1,052
Other gains and losses	5	606	(19)
Other expense		(619)	-
Selling and distribution expenses		(5,876)	(4,121)
Administrative expenses		(17,788)	(15,948)
Share of loss of a joint venture		(1,681)	(993)
Finance costs	6	(4,330)	(493)
Loss before tax	7	(7,312)	(14,594)
Income tax expense	8	-	-
Loss for the period		(7,312)	(14,594)

*For identification purpose only

	<i>Notes</i>	Six months ended 30.6.2015 HK\$'000 (unaudited)	Six months ended 30.6.2014 HK\$'000 (unaudited)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss			
Exchange difference arising on translation of financial statements of the foreign operations		<u>79</u>	<u>125</u>
Total comprehensive expense for the period		<u>(7,233)</u>	<u>(14,469)</u>
Loss for the period attributable to:			
Owners of the Company		(7,312)	(14,594)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(7,312)</u>	<u>(14,594)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(7,233)	(14,469)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u>(7,233)</u>	<u>(14,469)</u>
Loss per share – basic	<i>10</i>	<u>HK(0.3) cents</u>	<u>HK(0.6) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2015

	<i>Notes</i>	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		13,349	9,888
Goodwill		8,581	8,581
Interest in a joint venture		6,499	8,181
Available-for-sale investments		38,502	38,502
Rental deposits paid		21,792	21,780
Pledged bank deposits		90,000	90,000
Loans receivable		<u>53,050</u>	<u>-</u>
		<u>231,773</u>	<u>176,932</u>

	<i>Notes</i>	30.6.2015 HK\$'000 (unaudited)	31.12.2014 HK\$'000 (audited)
CURRENT ASSETS			
Inventories		1,713	1,636
Trade and other receivables, deposits and prepayments	<i>11</i>	67,705	51,809
Loans receivable		950	-
Amount due from non-controlling interests of a subsidiary		9,761	5,949
Held-for-trading investments		791	834
Bank balances and cash		<u>150,785</u>	<u>149,151</u>
		<u>231,705</u>	<u>209,379</u>
CURRENT LIABILITIES			
Trade and other payables	<i>12</i>	28,434	20,674
Amount due to an investee		39,042	23,795
Amount due to a joint venture		-	1,270
Obligations under finance leases		1,509	578
Promissory notes		<u>4,934</u>	<u>4,762</u>
		<u>73,919</u>	<u>51,079</u>
NET CURRENT ASSETS		<u>157,786</u>	<u>158,300</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>389,559</u>	<u>335,232</u>
CAPITAL AND RESERVES			
Share capital		24,323	24,323
Share premium and reserves		<u>243,241</u>	<u>250,474</u>
Equity attributable to owners of the Company		267,564	274,797
Non-controlling interests		<u>14,923</u>	<u>14,923</u>
		<u>282,487</u>	<u>289,720</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases		2,480	1,081
Promissory notes		4,592	4,431
Bonds		<u>100,000</u>	<u>40,000</u>
		<u>107,072</u>	<u>45,512</u>
		<u>389,559</u>	<u>335,232</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

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

Specifically, the Group’s reportable and operating segments under HKFRS 8 “Operating Segments” are as follows:

1. Cold storage and related services in Hong Kong (“Cold storage and related services”)
2. Trading and related services in the People’s Republic of China (“Trading and related services”)
3. Money lending services in Hong Kong (“Money lending services”)

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

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

Six months ended 30.6.2015

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

Six months ended 30.6.2014

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

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

Segment assets and liabilities

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

	30.6.2015 <i>HK\$'000</i>	31.12.2014 <i>HK\$'000</i>
ASSETS		
Cold storage and related services	98,004	81,370
Money lending services	55,126	-
Trade and related services	12,798	11,000
	<hr/>	<hr/>
Total segment assets	165,928	92,370
Unallocated assets	297,550	293,941
	<hr/>	<hr/>
Consolidated assets	463,478	386,311
	<hr/>	<hr/>
LIABILITIES		
Cold storage and related services	21,601	16,538
Money lending services	54,806	-
Trade and related services	7,114	4,416
	<hr/>	<hr/>
Total segment liabilities	83,521	20,954
Unallocated liabilities	97,470	75,637
	<hr/>	<hr/>
Consolidated liabilities	180,991	96,591
	<hr/>	<hr/>
4. OTHER INCOME		
	Six months ended 30.6.2015 <i>HK\$'000</i> (unaudited)	Six months ended 30.6.2014 <i>HK\$'000</i> (unaudited)
Bank interest income	336	850
Sundry income	757	202
	<hr/>	<hr/>
	1,093	1,052
	<hr/>	<hr/>
5. OTHER GAINS AND LOSSES		
	Six months ended 30.6.2015 <i>HK\$'000</i> (unaudited)	Six months ended 30.6.2014 <i>HK\$'000</i> (unaudited)
Fair value loss on held-for-trading investments	(43)	(62)
Gain on disposal of property, plant and equipment	649	43
	<hr/>	<hr/>
	606	(19)
	<hr/>	<hr/>

6. FINANCE COSTS

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

7. LOSS BEFORE TAX

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

8. INCOME TAX EXPENSE

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

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

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

9. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2015 and 30th June, 2014.

10. LOSS PER SHARE

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

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

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

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

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

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

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

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

BUSINESS REVIEW

Cold storage and related business

Cold storage

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

Logistics

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

Industrial ice bars (for construction use)

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

Trading and related business in the PRC

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

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

Money lending services

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

PLEDGE OF ASSETS

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

As at 30th June, 2015, bank deposits of approximately HK\$87 million (31st December, 2014: approximately HK\$87 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

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

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more trading business to be operated in the PRC. The directors will review the exchange rate risks faced by the Group periodically.

During the period under review, the Group's capital expenditure was mainly financed by finance leases. In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 30th June, 2015, it is noted that the bonds in an aggregate principal amount of HK\$100 million have been subscribed by the places and issued by the Company.

SHARE CAPITAL STRUCTURE

As at 30th June, 2015, the total issued share capital of the Company was HK\$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31st December, 2014.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2015, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 250 and 50 respectively (31st December, 2014: approximately 250 Hong Kong employees; 25 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/ training subsidy for employees' benefit.

PROSPECTS

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

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

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

Cold storage and related business

Cold storage

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

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

Industrial ice bars (for construction use)

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

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

Trading and related business in the PRC

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

Money lending services

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

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

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

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

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

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

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

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2015 (2014: 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, 2015.

CORPORATE GOVERNANCE

Corporate Governance Code

For the first half of 2015, the Board of the Directors is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), save for an exception specified and explained below:

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

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

Model Code for Securities Transactions by Directors

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by Directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Securities Dealing Policy”).

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the period under review. No incident of non-compliance was noted by the Company during the period under review.

Audit Committee

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 2015 with the Directors. At the request of Audit Committee, the Group’s external auditors have carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Internal Control

The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the internal control system, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of each department. The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

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

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

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

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

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

During the six months ended 30th June, 2015, the Board was satisfied that the internal control system is effective and that nothing has come to its attention to cause the Board to believe the Group's internal control system is inadequate. Moreover, the system will continue to be reviewed, added on or updated to provide for changes in the operating environment.

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 2015 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 and Mr. Ho Hon Chung, Ivan; 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
Daido Group Limited
Au Tat Wai
Executive Director

Hong Kong, 27th August, 2015