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, 2017

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, 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

	Notes	**Six months ended 30.6.2017** ***HK$'000*** **(unaudited)**	Six months ended 30.6.2016 *HK$'000* (unaudited)
Revenue	*3*	**130,823**	144,527
Direct costs		**(118,918)**	(117,556)
Gross profit		**11,905**	26,971
Other income	*4*	**615**	335
Selling and distribution expenses		**(5,520)**	(7,344)
Administrative expenses		**(21,885)**	(21,063)
Other gains and losses	*5*	**115**	(157)
Share of loss of a joint venture		**-**	(7,947)
Finance costs	*6*	**(3,049)**	(3,267)
Loss before tax		**(17,819)**	(12,472)
Taxation	*7*	**-**	-
Loss for the period	*8*	**(17,819)**	(12,472)

**For identification purpose only*

	Notes	**Six months ended 30.6.2017** ***HK$'000*** **(unaudited)**	Six months ended 30.6.2016 *HK$'000* (unaudited)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(152)**	(9)
Total comprehensive expense for the period		**(17,971)**	(12,481)
Loss for the period attributable to:			
Owners of the Company		**(17,819)**	(12,472)
Non-controlling interests		**-**	-
		(17,819)	(12,472)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(17,971)**	(12,481)
Non-controlling interests		**-**	-
		(17,971)	(12,481)
Loss per share – basic	*10*	**HK(0.73) cents**	HK(0.51) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2017

	Notes	**30.6.2017** ***HK$'000*** **(unaudited)**	31.12.2016 *HK$'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**8,380**	10,555
Goodwill		**8,581**	8,581
Available-for-sale investment		**38,502**	38,502
Rental deposits paid		**25,027**	21,782
Pledged bank deposits		**102,975**	90,005
Loan receivables	*11*	**16,381**	31,000
		199,846	200,425

	Notes	**30.6.2017** **_HK$'000_** **(unaudited)**	31.12.2016 *HK$'000* (audited)
CURRENT ASSETS			
Inventories		**1,063**	738
Trade and other receivables, deposits and prepayments	*12*	**48,300**	64,168
Loan receivables	*11*	**53,016**	10,893
Amount due from non-controlling interests of a subsidiary		**9,760**	9,760
Held for trading investments		**819**	702
Bank balances and cash		**106,519**	156,060
		219,477	242,321
CURRENT LIABILITIES			
Trade and other payables	*13*	**26,956**	31,429
Amount due to an investee		**39,042**	39,042
Obligations under finance leases		**1,316**	1,853
		67,314	72,324
NET CURRENT ASSETS		**152,163**	169,997
TOTAL ASSETS LESS CURRENT LIABILITIES		**352,009**	370,422
CAPITAL AND RESERVES			
Share capital		**24,323**	24,323
Share premium and reserves		**212,320**	230,291
Equity attributable to owners of the Company		**236,643**	254,614
Non-controlling interests		**14,923**	14,923
		251,566	269,537
NON-CURRENT LIABILITIES			
Obligations under finance leases		**443**	885
Bonds		**100,000**	100,000
		100,443	100,885
		352,009	370,422

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

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.

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.

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, 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2016.

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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

The application of the above 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation or assessment of segment performance focuses on types of services delivered or provided. No operating segment 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. Trading and related services in the People's Republic of China (the "PRC") ("Trading and related services")
3. Money lending services in Hong Kong ("Money lending services")

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

Six months ended 30.6.2017 (unaudited)

	Cold storage and related services	**Trading and related services**	**Money lending services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**100,683**	**27,282**	**2,858**	**130,823**
Segment (loss) profit	**(5,829)**	**(4,510)**	**830**	**(9,509)**
Unallocated income				**615**
Unallocated expenses				**(5,993)**
Change in fair value of held for trading investments				**117**
Finance costs				**(3,049)**
Loss before tax				**(17,819)**

Six months ended 30.6.2016 (unaudited)

	Cold storage and related services	Trading and related services	Money lending services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	112,724	27,312	4,491	144,527
Segment profit (loss)	7,683	(5,776)	1,440	3,347
Unallocated income				335
Unallocated expenses				(4,776)
Change in fair value of held for trading investments				(164)
Share of loss of a joint venture				(7,947)
Finance costs				(3,267)
Loss before tax				(12,472)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administration costs including partly auditor's remuneration and directors' remuneration, change in fair value of held for trading investments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision makers and 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 and operating segments:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
SEGMENT ASSETS		
Cold storage and related services	**78,220**	91,273
Trade and related services	**10,686**	11,740
Money lending services	**69,413**	41,906
Total segment assets	**158,319**	144,919
Unallocated assets	**261,004**	297,827
Consolidated assets	**419,323**	442,746
SEGMENT LIABILITIES		
Cold storage and related services	**16,822**	20,459
Trade and related services	**6,750**	8,493
Money lending services	**70,223**	44,111
Total segment liabilities	**93,795**	73,063
Unallocated liabilities	**73,962**	100,146
Consolidated liabilities	**167,757**	173,209

4. OTHER INCOME

	Six months ended 30.6.2017	Six months ended 30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**443**	287
Sundry income	**172**	48
	615	335

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2017	Six months ended 30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Change in fair value of held for trading investments	**117**	(164)
(Loss) gain on disposals of property, plant and equipment	**(2)**	7
	115	(157)

6. FINANCE COSTS

	Six months ended 30.6.2017 ***HK$'000*** **(unaudited)**	Six months ended 30.6.2016 *HK$'000* (unaudited)
Interest on obligations under finance leases	**49**	94
Imputed interest expense on promissory notes	**-**	173
Interest on bonds	**3,000**	3,000
	3,049	3,267

7. TAXATION

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

No provision for Hong Kong Profits Tax and EIT is required as the individual companies comprising the Group either incurred a loss or had tax losses offset the assessable profits.

8. LOSS FOR THE PERIOD

	Six months ended 30.6.2017 ***HK$'000*** **(unaudited)**	Six months ended 30.6.2016 *HK$'000* (unaudited)
Loss for the period has been arrived at after charging the following item:		
Depreciation of property, plant and equipment	**2,427**	2,644

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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 30.6.2017	Six months ended 30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share, attributable to owners of the Company	**(17,819)**	(12,472)

	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,432,304**	2,432,304

No dilutive effect to the loss per share as there were no potential ordinary shares in issue for the period ended 30th June, 2017 and 2016.

11. LOAN RECEIVABLES

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Secured loans	**40,657**	15,037
Unsecured loans	**28,740**	26,856
	69,397	41,893
Less: Amount due within one year and classified under current assets	**(53,016)**	(10,893)
Amount due after one year	**16,381**	31,000

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK$40,657,000 (31.12.2016: HK$15,037,000) The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. The remaining loan receivables are unsecured.

Secured loan receivables carry fixed-rate interests ranged from 11% to 12% (31.12.2016: at 11%) per annum and with maturity of 1 to 3 years (31.12.2016: 3 years). Unsecured loan receivables carry fixed-rate interests ranging from 11% to 15% (31.12.2016: 11% to 12%) per annum and with maturity of 6 months to 3 years (31.12.2016: 9 months to 3 years). All amounts of principal will be receivable on respective maturity dates.

12. 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 logistics services. No interest is charged on any outstanding trade receivables.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK$42,373,000 (31.12.2016: HK$58,484,000).

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

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**22,062**	24,411
31 – 60 days	**14,483**	18,990
61 – 90 days	**5,721**	8,972
91 – 120 days	**9**	6,091
More than 120 days	**98**	20
	42,373	58,484

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$8,717,000 (31.12.2016: HK$10,142,000).

The following is an aged analysis of trade payables presented based on the invoice dates.

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**5,870**	5,609
31 – 60 days	**1,744**	1,679
61 – 90 days	**58**	323
91 – 120 days	**171**	1,023
More than 120 days	**874**	1,508
	8,717	10,142

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2017, total revenue of the Group amounted to approximately HK$130.8 million, a decrease of about 9.5%, compared to approximately HK$144.5 million from the previous year.

During the current interim period, the Group recorded a loss of approximately HK$17.8 million, compared to the loss of approximately HK$12.5 million for the corresponding period in 2016. Loss per share was HK0.73 cents.

The losses were mainly attributed to a significant and unexpected drop in the turnover of the Group's cold storage business during the first half of the year, especially in storage volume and inventory turnover. As the Group's cold storage business is complementary to its logistics business, the latter was also affected.

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

BUSINESS REVIEW

Cold storage and related business

Cold storage

Cold storage continued to be a core business segment of the Group. Owing to rising operational costs, its warehousing rentals were adjusted upwards in the first half of the year. During the same period, the Group saw the turnover of this business segment decreased, with a substantial drop in occupancy level, inventory volume and turnover. Traditionally, the market demand for cold storage warehousing services is lower during the first half of the year.

Logistics

Logistics services are provided by the Group to mainly serve the needs of its cold storage warehousing customers. Corresponding to a decline in the Group's cold storage segment, the business of its logistics services was adversely affected as well.

Industrial ice bars (for construction use)

The Group's industrial ice bars segment performed below expectations in the first six months. Frequent rains during the period dampened the demand for these products, which are primarily used for cooling purposes in construction projects, along with stiffer competition from an increased supply of crushed tube ice in the market. Traditionally, demand is also lower in the first half of the year, characterised by cooler months.

As industrial ice bars are not the Company's core business, their revenue contributions remain minimal. However, the Group is optimistic that the performance of this segment will improve over the remaining months of the year.

Trading and related business in the PRC

The Group has continued to supply supermarkets and convenient stores in the PRC with a range of dairy items, fruit juice products and traditional Korean snacks. Despite the higher sales volume, the Management efforts to contain its increasing operational costs and counter the growing market competition are necessary.

Money lending business
The Group has continued to provide loans for its cold storage clients and other customers in need of financial support. Building on the stable performance of this segment, the Management is identifying new target clients and money lending opportunities, on both a long and short-term basis.

PLEDGE OF ASSETS
As at 30th June, 2017, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3.5 million (31st December, 2016: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (31st December, 2016: HK$3.5 million). The amount utilised at 30th June, 2017 was approximately HK$3.5 million (31st December, 2016: approximately HK$3.5 million).

As at 30th June, 2017, bank deposits of approximately HK$99.5 million (31st December, 2016: approximately HK$86.5 million) are pledged to a bank, which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, the Group's obligations under finance leases were secured by the lessors' charge over the leased assets with carrying value of approximately HK$2.9 million (31st December, 2016: approximately HK$3.8 million).

LIQUIDITY AND FINANCIAL RESOURCES
As at 30th June, 2017, the Group had cash and bank balances of approximately HK$106.5 million (31st December, 2016: approximately HK$156.1 million). The decrease was mainly due to increase in loan receivables and cash used in increase in pledged bank deposits.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 42.4% as at 30th June, 2017 (31st December, 2016: approximately 39.6%). The increase of the gearing ratio was insignificant.

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 current interim period, the Group's capital expenditure was mainly financed by finance leases and internal resources.

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 commencing from 13th November, 2014 and ending on 12th November, 2015. 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, 2017, 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, which is the same as those as at 31s t December, 2016.

SHARE CAPITAL STRUCTURE
As at 30th June, 2017, 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, 2016.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2017, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 240 and 70 respectively (31st December, 2016: approximately 240 Hong Kong employees; 70 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

The Group remains confident that its cold storage business will improve in the imminent future, looking beyond the temporary setbacks experienced earlier in the year. On the one hand, the Hong Kong economy grew 4.3% in the first quarter, the fastest in six years, boosted by the buoyant stock market, increased trade, a thriving property sector, and an encouraging global economic outlook. Equally robust is the Chinese economy, which expanded at a faster-than-expected 6.9% in the first quarter, well above the government's target of around 6.5% for the full year.

On the other hand, 95% of the food consumed in Hong Kong is imported and local demand for frozen foodstuff and beverage items, along with other merchandise requiring refrigeration, has been rising. Furthermore, the latest study carried out by the Department of Health revealed that more than 40% of Hong Kong people eat out for lunch at least five days a week.

All these favorable developments herald a likely recovery for not only the Group's core businesses in cold storage warehousing and logistics services, but the rest of its business interests as well.

Cold storage and related business

Cold storage

Unabated demand for perishable merchandise, especially meat and seafood, will continue to drive business growth of this segment. Determined to tap the burgeoning cold warehousing market, the Group is currently making efforts to improve operational efficiency of its temperature controlled storage facilities and generate a higher turnover.

Traditional demand for cold storage space is higher in the second half of the year, with more major year-end festivals that encourage more people to dine out and attract higher numbers of inbound tourists. The latest government figures reveal that overall visitor numbers rose 8.8%. It was higher for mainland visitors, who account for almost three quarters of the total, at 10.4%. The rise was even more pronounced for tourists from neighboring Asian countries. That figure was up 11.5%, thanks to large influxes from Japan and South Korea, according to data from the Immigration Department. With this positive macro environment unfolding, the Group confidently believes its cold storage business will pick up in the coming months.

Industrial ice bars (construction use)

Performance of the Group's industrial ice bars business is expected to improve in the second half of the year, when the onset of hot summer months will spur demand from the construction sector. The ongoing and upcoming mega public infrastructure projects, such as the Zhuhai-Macau bridge link and the large-scale housing program that totals 480,000 units over 10 years, are expected to sustain Hong Kong's construction industry workload at its current level. All these projects will create business opportunities for our industrial ice bars segment. But rising operational costs and increasing competition from suppliers of crushed tube ice will present challenges to the Group.

Trading and related business in the PRC

The Group launched its trading and related business in the PRC as a diversification move. While this segment is still under development, the Group has not lost sight of the immense potential of the PRC consumer market and its growing demand for imported snacks.

As consumers continue to look for new and different flavor experiences, international snacks have become a sector that many consumers are gravitating towards. According to a recent market research report, as many as 4 in 10 (42%) urban Chinese consumers are interested in buying imported products they have never tried before across a variety of purchase channels, including supermarkets and convenience stores. The Group has constantly sought to expand its distribution network and product variety such probiotics drinks, yogurt and traditional Korean snacks in the major Chinese cities.

Money lending business

Though the regulatory environment for the money lending business in Hong Kong remains stringent, the Group will seize every opportunity to benefit from this lucrative market. According to recent monetary statistics released by the government, Hong Kong dollar loans grew at a faster pace than Hong Kong dollar deposits and in the second quarter of 2017, loans for use in Hong Kong (including trade finance) expanded by 5.2% after growing by 4% in the previous quarter. This positive trend offers promising prospects for our money lending segment to grow further.

In order to accelerate the Group's penetration into the market, it intends to broaden its customer base beyond the group of cold storage customers that it currently serves, combined with plans to strengthen its brand name and raise customer awareness through various business development initiatives. The Group will continue to develop its money lending business by retaining credit control measures and strategies to achieve a healthy balance between business growth and risk management.

CORPORATE STRATEGY AND A LONG-TERM BUSINESS MODEL

The Group affirms the importance of its cold storage and logistics businesses as the core segments. Under its corporate strategy, a primary focus will be placed on improving the sustainable performance of its overall business portfolio, which, besides the core segments highlighted, also includes the industrial ice bars, money lending as well as the PRC-based trading and related businesses.

Constant efforts are made to uncover new business opportunities and developments for the Group to capitalise on in Hong Kong and mainland China. With regard to its cold storage and related businesses, the ongoing priority is to ensure a high level of operational efficiency, the successful retention of quality customers and achievement of a high turnover rate. Providing a one-stop range of quality cold storage and other types of warehousing facilities to be supplemented the logistics services we provide, from transportation to distribution, container hauling and devanning, underlines our business model.

Concurrent with our initiatives to maintain the profit margin of our core business, we also set out to augment our food trading activities through a range of market penetration strategies. Our efforts to expand our product categories and network for their distribution on the mainland are undertaken in alignment with the evolving market needs. The Management is confident that with the flexible and dynamic business strategies enforced and greater operational experience and insights gained in the PRC market, our trading business will eventually contribute to the Group's long-term turnover and revenue.

As one of Hong Kong's leading cold storage providers, it is our vision to continually bolster our core business, with a commitment to improving the financial and operational performance of our trading segment on the mainland. We would like to express our heartfelt appreciation to our shareholders for their staunch support and pledge to maximise their returns.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30th June, 2017 (2016: 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, 2017.

CORPORATE GOVERNANCE

Corporate Governance Code

For the first half of 2017, 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 the exceptions specified and explained below:

According to the 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.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the period, the Company did not comply with code provision E.1.2 of the CG Code.

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 risk management, internal control and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 2017 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.

Risk Management and Internal Control

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the "RM and IC Systems") of the Group and reviewing its effectiveness through the Audit Committee. The purpose of the RM and IC Systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company's objective can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 RM and IC Systems, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of the key operating subsidiaries. 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.

To further strengthen the risk management and internal control of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Advisor has conducted a review of and will make recommendations to improve the effectiveness of the Group's risk management and internal controls systems (the "RM and IC Review").

During the period, the Audit Committee, with the assistance of the Internal Control Adviser, reviewed the effectiveness of the cold storage and related business' RM and IC Systems in various aspects including human resources and payroll cycle, property, plant and equipment cycle and cash management and treasury cycle.

The Internal Control Adviser carried out the RM and IC Review on the above cycles and executed the RM and IC Review which involves the following tasks:

1. Conducting interviews with relevant management and staff members relating to the risk management and internal controls
2. Conducting walk-through relating to the RM and IC Review
3. Reviewing relevant documentation on site relating to the RM and IC Review
4. Identifying significant deficiencies in the design of the risk management and internal controls
5. Communicate the significant findings with the Management so as to confirm the factual accuracy of the findings

After the RM and IC Review, the Management will provide an action plan so as to mitigate those identified deficiencies in a timely manner. All internal control findings will be properly followed up closely to ensure that the action plan is implemented accordingly.

During the six months ended 30th June, 2017, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. Moreover, the existing RM and IC Systems are effective and adequate, and 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 2017 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, 25th August, 2017