DAIDO

DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda and its members' liability is limited)

(Stock Code: 00544)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The board of directors (the "Board") of Daido Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2022, together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022** **HK$'000**	2021 *HK$'000*
Revenue	*3*		
- Provision of cold storage and related services		**238,362**	187,109
- Trading and sales of food and beverage		**34,680**	47,671
- Interest income form money lending services, calculated using effective interest method		**266**	288
Total revenue		**273,308**	235,068
Cost of revenue		**(213,784)**	(198,488)
Gross profit		**59,524**	36,580
Other income	*4*	**9,712**	8,546
Other gains and losses, net	*5*	**(812)**	479
Loss allowance on trade and other receivables, net		**(357)**	(1,834)
Selling and distribution expenses		**(9,452)**	(15,738)
Loss on disposal of an associate		**-**	(15,032)
Loss on termination of management service agreement		**-**	(27,242)
Administrative expenses		**(40,288)**	(46,938)
Share of results of an associate		**-**	(2,885)
Finance costs	*6*	**(13,567)**	(16,002)

* *For identification purpose only*

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Profit (Loss) before tax		**4,760**	(80,066)
Income tax expenses	*7*	**-**	(204)
Profit (Loss) for the year		**4,760**	(80,270)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(1,200)**	527
Other comprehensive (expense) income		**(1,200)**	527
Total comprehensive income (expense) for the year		**3,560**	(79,743)
Profit (Loss) for the year attributable to:			
Equity holders of the Company		**4,760**	(80,270)
Non-controlling interests		**-**	-
		4,760	(80,270)
Total comprehensive income (expense) attributable to:			
Equity holders of the Company		**3,560**	(79,743)
Non-controlling interests		**-**	-
		3,560	(79,743)
Earnings (Loss) per share attributable to equity holders of the Company			(adjusted)
Basic	*8*	**HK1.64 cents**	(HK27.67 cents)
Diluted	*8*	**HK1.64 cents**	(HK27.67 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	**2022** **_HK$'000_**	2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**4,164**	4,889
Intangible assets		**322**	246
Right-of-use assets		**79,464**	137,180
Goodwill		**68**	68
Equity instrument at fair value through other comprehensive income ("FVOCI")		**-**	-
Rental deposits paid	*10*	**53,661**	47,384
Pledged bank deposits		**1,700**	1,700
Other deposit paid	*10*	**6,900**	-
		146,279	191,467
Current assets			
Inventories		**1,043**	2,241
Trade and other receivables, deposits and prepayments	*10*	**57,473**	71,065
Bank and cash balances		**60,411**	59,919
		118,927	133,225
Current liabilities			
Trade and other payables	*11*	**17,831**	22,213
Contract liabilities		**8,619**	8,744
Lease liabilities		**74,058**	65,943
Bonds payables		**40,000**	10,000
		140,508	106,900
Net current (liabilities) assets		**(21,581)**	26,325
Total assets less current liabilities		**124,698**	217,792
Non-current liabilities			
Bank borrowing		**35,000**	35,000
Lease liabilities		**11,022**	78,997
Bonds payables		**60,000**	90,000
		106,022	203,997
NET ASSETS		**18,676**	13,795

	2022	2021
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**2,901**	29,011
Reserves	**12,612**	(18,379)
Equity attributable to equity holders of the Company	**15,513**	10,632
Non-controlling interests	**3,163**	3,163
TOTAL EQUITY	**18,676**	13,795

1. ADOPTION OF NEW/REVISED TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Changes in accounting policies of new/revised HKFRSs

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

Amendment to HKFRS 16	*Covid-19-Related Rent Concessions Beyond 30 June 2021*
Amendments to Hong Kong Accounting Standard ("HKAS") 16	*Proceeds before Intended Use*
Amendments to HKAS 37	*Cost of Fulfilling a Contract*
Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Annual Improvements to HKFRSs	*2018 – 2020 Cycle*

Amendment to HKFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021
The amendment exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to Covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendment does not affect lessors.

The adoption of the amendment does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 16: Proceeds before Intended Use
The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of HKAS 2 *Inventories*.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 37: Cost of Fulfilling a Contract
The amendments clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 3: Reference to the Conceptual Framework
The amendments update a reference in HKFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to HKFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying HKFRS 3 should instead refer to HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The exception has been added to avoid an unintended consequence of updating the reference.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements Project – 2018 – 2020 Cycle
HKFRS 1: Subsidiary as a First-time Adopter
This amendment simplifies the application of HKFRS 1 for a subsidiary that becomes a first-time adopter of HKFRSs later than its parent – i.e. if a subsidiary adopts HKFRSs later than its parent and applies HKFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to HKFRSs.

HKFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities
This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

HKFRS 16: Lease Incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

HKAS 41: Taxation in Fair Value Measurements
This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in HKAS 41 with those in HKFRS 13 *Fair Value Measurement*.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
HKFRS 17	Insurance Contracts[1]
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2023
[2] Effective for annual periods beginning on or after 1 January 2024
[3] The effective date to be determined

Except for the amendments to HKFRSs mentioned below, the directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Based on the Group's outstanding liabilities at 31 December 2022, the application of the amendments will not result in reclassification of the Group's liabilities.

2. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the executive directors consider that the operating segments of the Group comprise:

(i) Cold storage and related services in Hong Kong;

(ii) Trading and sales of food and beverage in the People's Republic of China (the "PRC") and Hong Kong; and

(iii) Money lending services in Hong Kong.

In addition, the executive directors consider that the Group's place of domicile is Hong Kong, where the central management and control is located.

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of certain other income, central administration costs (including certain auditor's remuneration, certain depreciation of right-of-use assets and property, plant and equipment and directors' remuneration) and certain finance costs.

Year ended 31 December 2022

	Cold storage and related services *HK$'000*	**Trading and sales of food and beverage** *HK$'000*	**Money lending services** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue	238,362	34,680	266	273,308
Segment results	32,075	(7,206)	491	25,360
Unallocated other income				251
Unallocated finance costs				(6,046)
Unallocated expenses				(14,805)
Profit before tax				4,760

Year ended 31 December 2021

	Cold storage and related services HK$'000	Trading and sales of food and beverage HK$'000	Money lending services HK$'000	Consolidated HK$'000
Segment revenue	187,109	47,671	288	235,068
Segment results	(44,368)	(11,620)	(1,439)	(57,427)
Unallocated other income				189
Unallocated finance costs				(6,023)
Unallocated expenses				(16,849)
Change in fair value of financial assets at fair value through profit and loss ("FVPL")				44
Loss before tax				(80,066)

3. REVENUE

Revenue is analysed by category as follows:

	2022 *HK$'000*	2021 *HK$'000*
Revenue from Contracts with Customers within HKFRS 15		
Provision of cold storage and related services		
- *Cold storage*	**208,617**	141,973
- *Loading and handling services*	**3,277**	5,828
- *Logistics and packing services*	**26,468**	30,454
- *Management income*	**-**	8,854
	238,362	187,109
Trading and sales of food and beverage	**34,680**	47,671
Revenue from contracts with customers within HKFRS 15	**273,042**	234,780
Interest income form money lending services, calculated using effective interest method	**266**	288
Total revenue	**273,308**	235,068
Timing of revenue recognition		
A point of time	**34,680**	47,671
Over time	**238,362**	187,109
	273,042	234,780

4. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Dividend income	**-**	19
Government subsidy (Note)	**4,114**	80
Imputed interest income on loan to an associate	**-**	2,199
Imputed interest income on rental deposits paid	**2,414**	910
Income from usage of machinery and equipment	**-**	1,823
Interest income from bank deposits	**12**	157
Other service income	**2,946**	3,091
Sundry income	**226**	267
	9,712	8,546

Note: During the year ended 31 December 2022, the Group recognised government grants of HK$4,114,000 in respect of Covid-19-related subsidies, of which (i) HK$4,067,000 relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region (the "Hong Kong Government") for subsidising the salary costs incurred for the periods from May to July 2022; (ii) a one-off subsidy of HK$20,000 from the Transport Department of the Hong Kong Government for subsidising goods vehicles; and (iii) HK$27,000 related to motivation of business development in respect of trading and sales of food and beverage business in Hong Kong.

During the year ended 31 December 2021, the Group recognised government grants of HK$80,000 related to motivation of business development in respect of trading and sales of food and beverage business in the PRC and Hong Kong.

5. OTHER GAINS AND LOSSES, NET

	2022	2021
	HK$'000	*HK$'000*
Change in fair value of derivative financial instruments	**-**	1,800
Change in fair value of financial assets at FVPL	**-**	44
Exchange (losses) gains, net	**(222)**	57
Gain (Loss) on disposal/written-off of property, plant and equipment	**56**	(1,422)
Written-off of trade receivables	**(646)**	-
	(812)	479

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest expense on bank borrowing	**1,726**	1,726
Interest expense on bonds payables	**6,000**	6,000
Interest expense on lease liabilities	**5,841**	8,276
	13,567	16,002

7. TAXATION

	2022	2021
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax		
Under-provision in prior year	-	204
	-	204

(i) *Hong Kong Profits Tax*
Hong Kong Profits Tax at the rate of 16.5% has not been provided as certain Group entities' estimated assessable profits were absorbed by unrelieved tax losses brought forward from previous year, some incurred losses for taxation purposes in Hong Kong for the years ended 31 December 2022 and 2021.

(ii) *Income taxes outside Hong Kong*
The Company and its subsidiaries established in Bermuda and the British Virgin Islands respectively are exempted from the payment of income tax of the respective jurisdictions.

The Group's operations in the PRC are subject to enterprise income tax of the PRC ("PRC Enterprise Income Tax") at 25% *(2021: 25%)*.

8. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated based on the profit for the year ended 31 December 2022 attributable to the equity holders of the Company of approximately HK$4,760,000 (*2021: loss for the year of approximately HK$80,270,000*) and on the weighted average number of approximately 290,110,000 ordinary shares (*2021: approximately 290,110,000 ordinary shares*) in issue during the year ended 31 December 2022.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 31 December 2021 had been adjusted, taking into account the share consolidation on 24 March 2022 as defined in Management Discussion and Analysis ("2022 Share Consolidation"), and assuming the 2022 Share Consolidation has been completed on 1 January 2021.

Diluted earnings (loss) per share is the same as basic earnings (loss) per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 December 2022 and 2021.

9. DIVIDEND

No dividend was paid during the year (*2021: Nil*), nor has any dividend been proposed since the end of the reporting period (*2021: Nil*).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Trade receivables from third parties	**54,015**	56,136
Less: Loss allowance	**(796)**	(272)
	53,219	55,864
Loan receivables		
Loan and interest receivables from independent third parties	**2,562**	2,764
Less: Loss allowance	**(2,540)**	(2,764)
	22	-
Other receivables		
Other receivables	**680**	7,237
Rental deposits paid	**53,673**	50,201
Deposits and prepayments	**3,540**	5,147
Other deposit paid	**6,900**	-
	64,793	62,585
Sub-total	**118,034**	118,449
Less: Presented under non-current assets		
Rental deposits paid	**(53,661)**	(47,384)
Other deposit paid	**(6,900)**	-
	57,473	71,065

At 1 January 2021, trade receivables from contracts with customers amounted to HK$41,093,000.

The Group does not allow any credit period to its trade debtors except for certain customers who are allowed 30 to 60 days credit period. At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**23,391**	26,539
31 to 60 days	**15,486**	15,431
61 to 90 days	**6,318**	6,882
91 to 120 days	**3,052**	2,570
More than 120 days	**4,972**	4,442
	53,219	55,864

11. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**5,923**	8,747
Other payables		
Accruals and other payables	**2,846**	6,241
Accrued staff costs	**6,070**	4,233
Bonds interest payables	**2,992**	2,992
	11,908	13,466
	17,831	22,213

Except for certain trade creditors who allowed 30 days credit period, no credit period is generally allowed by trade creditors and no interest is charged on trade creditors. At the end of the reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**4,357**	5,390
31 to 60 days	**1,511**	2,353
61 to 90 days	**50**	848
91 to 120 days	**5**	41
More than 120 days	**-**	115
	5,923	8,747

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the year ended 31 December 2022, the Group's total revenue amounted to approximately HK$273 million, representing an increase of about 16.2%, compared to approximately HK$235 million from the preceding year.

For the year ended 31 December 2022, the Group recorded a profit of approximately HK$4.8 million compared to the loss of approximately HK$80.3 million recorded in the year ended 31 December 2021, representing a decrease of 106.0% over the same period of last year.

The Board considers that the turnaround from loss to profit position of the Group was primarily attributable to (i) the increase in the revenue from cold storage and related services business by approximately 27.4% recorded in 2022 as compared to 2021; (ii) the one-off loss and expense recorded due to the disposal of an associate and the termination of a management service agreement with the associate in the corresponding period in 2021 whereas there were no such items in 2022; and (iii) the Group received the government subsidies approximately HK$4.1 million under the Employment Support Scheme from the Government's Anti-epidemic Fund established by the Hong Kong Government.

REVIEW OF OPERATING SEGMENTS

The Group is mainly engaged in cold storage and related services business, trading and sales of food and beverage business, and investment holding.

Cold storage and logistics

The Group's principal source of income is derived from operating the cold storage business and related activities. It also provides customers in this segment with a host of ancillary services, from transportation to distribution, container hauling and devanning, packaging and logistics services.

The on-going COVID-19 pandemic and US-China trade tensions had caused trading activities through Hong Kong being adversely affected, which in turn dampened the operating performance of warehousing and logistics sector as a whole. As a result, we encountered continuous shipment delays causing operational inefficiency and deferrals of cold storage income. Throughout 2022, the Hong Kong Government had implemented several social distancing rules such as limited dine-in hours and number of customers served at each table, which resulted in the food and beverage ("F&B") catering operators to suffer severely. F&B catering operators in Hong Kong were facing drastic reduction of dine-in activities therefore their demand for frozen food had been reduced. With this situation continued, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services. With various internal restructuring and resource allocation, the Group aims to focus on its core business with the view to achieve sustainable corporate growth in the long run.

Suffering from numerous COVID-19 waves, the Group has noticed the increasing demand for warehouse storage and logistics service from grocery distributors, supermarkets and frozen-food outlets. In response to the increasing market demand from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our Kwai Hei Street warehouse. In addition, the commencement of cold storage and logistics business of our Tsing Yi warehouse in the fourth quarter of 2021 provided us with one more cold storage facilities to dealt with the increasing demand from our customers in storage volume.

The Group continued to follow the Guidelines on Prevention of COVID-19 for the General Public issued by the Department of Health of Hong Kong Government throughout 2022, and costs were incurred on warehouse disinfection and the food package of cold stores at a higher level, as well as regular body temperature monitoring for all employees working onsite. We will continue to apply these actions to protect our employees and customers.

There was a considerable increase of rental cost imposed by our landlord for the cold storage warehouse in 2022. However, we consider that it would be challenging to transfer some of the relevant cost increments to our customers amid the weak economy in Hong Kong.

The Group had operated a bonded warehouse in Kwai Chung that carries alcohol and tobacco products. Negatively affected by the COVID-19 pandemic and the intermittent shutdown of the boundary in Macau and Mainland China, the demand of alcohol and tobacco products had continued to decline throughout the year, resulting in a slower inventory turnover that in turn reduced the warehouse's earnings. In order to minimise the operational cost, the Group has relocated the storage of alcohol and tobacco products from the original Kwai Chung bonded warehouse to Kwai Hei Street warehouse at the beginning of 2022 upon the completion of the relevant licence application.

The logistics business that mainly supports the Group's warehousing customers has remained stable.

Trading and sales of food and beverage products

The Group conducts its trading and sales business of food and beverage products through a growing network of supermarkets, convenient stores and distributors in Mainland China. The Group aims to optimise revenue under this business segment through improvement of internal management, more diversified business strategy, and competitive pricing.

Due to the COVID-19 pandemic and weaker consumer demand during the pandemic periods, stringent cost control measures were implemented to maintain the segment's profitability. The Group continuously reviews and assesses its existing wholesale channels and had ceased certain distribution channels with lower margins so that it can focus its resources to grow and sustain the more profitable ones.

In 2021, the Group had launched an online Business to Customer ("B2C") e-commerce grocery platform named "Urban Mart" (「安品・生活」) in Hong Kong. Urban Mart reaches out to mass retail customers and sells daily products such as meat, seafood and drinks from around the world. Urban Mart is intended to be a content-driven online platform and has engaged reputable and up-and-coming Key Opinion Leaders ("KOLs") to provide our current and potential customers with interactive life and entertainment information (such as celebrity talks and live shows) through its online shop (www.myurbanmart.com). We believe this new brand building initiative is crucial during the start-up phase. During 2022, with the noticeable website traffic results such as the increasing number of clicks and views, we had expanded Urban Mart's sales channel to offline through setting up limited time pop-up stores in various shopping centers in Hong Kong so that we can reach out to more potential new customers.

Another B2C business unit with a beverage product is "Attitude Planet" (「態度星球」). It is a brand developed and owned by the Group which mainly produces herbal tea bottled drinks catered to the younger generations. It is operated by leveraging on our existing distribution network as well as online and offline distribution channels in Mainland China. The Group considers the Original Equipment Manufactured ("OEM") beverage as a non-core business operation and sales performance had not been the most impressive. Therefore, no significant further allocation of resources had been invested to support this business operation throughout the year.

PRINCIPAL RISKS AND UNCERTAINTIES

For each major risk identified, the Group has undertaken a thorough assessment with the action steps planned for its mitigation. The goal of this exercise is to protect the Group's best interests, including its business outlook, financial position, growth potential and business sustainability.

The Group manages its business and operation risks through diversifying its business portfolio, ensuring a balance between safety and profitability. To grow its more promising segments, both cost saving measures and resource re-allocation are adopted to reduce exposure to market volatility such as that caused by the coronavirus pandemic, US-China trade dispute and the economic downturn in Mainland China and Hong Kong.

The Group is also cognisant of its vulnerability to political and economic risks in the macroeconomic environment, which could undermine demand for its products and services. We are also aware of other hazards, such as long-term depreciation on the warehouse properties that could compromise our storage capacity and therefore, business growth. We enacted financial prudence to safeguard the continual performance of our operation by reducing operating expense, by coping with small profit but rapid turnover and by conserving internal resources to counter any negative impact from the macroeconomic environment.

The coronavirus threat had been one of the most significant risks in the past 3 years. From 2020 to date, we continue to follow the government recommendation of social distancing and safety guidelines concerning food safety, employee health and safety as well as hygiene and cleanliness at our premises. We have carried out disinfection exercises and clean our office and warehouses more frequently than usual in an utmost effort to contain all possible public health risks.

Market risk is another area of threat we seek to control. Recognising that market demand for our products and services is highly dependent on how the economy performs and consumer sentiments, we monitor the macroeconomic conditions closely and are ready to realign our strategies and direction accordingly and rapidly. Buffering the Group from market risks also demand that we constantly revamp our business structure, product and service and customers portfolios, adopt high margin products and switch to more effective sales channels when necessary, as we have been doing on our trading and sales segment.

The Group's risk-control framework has been in force to guide our business segments into long-term growth and sustainability.

PROSPECTS

Hong Kong's economy continued to be suffered from the COVID-19 pandemic and had face the most difficult challenges ever over the past three years. According to the Census and Statistics Department of the Hong Kong SAR Government, real GDP deflated by 3.5% throughout 2022. With support from the Hong Kong Government, the resume of economic activities, such as the resumption of quarantine-free travel and re-open of the boundaries, Hong Kong's economy is expected to rebound in 2023, it may stimulate consumer's spending power and sentiment.

We expect the pandemic-driven recession in Hong Kong and the Mainland China is toward the end, the cross-boundary activities are expected to fully resume; the Group's cold storage and logistics operations in Hong Kong as well as food and beverage distribution operations in Mainland China are expected to gradually recover through the continue internal restructuring and reallocation of resources.

Cold storage and logistics

As the core business unit of the Group, we want to stabilise it, and at the same time, look for more opportunities to make it grow even stronger. The Group has foreseen the increasing required standards of cold storage and logistics services in the industry, and with the newly establishment of the Transport and Logistics Bureau, it is expected the improvement of Hong Kong's transportation and logistics will be well recognised and attract more potential investors around the globe. The Group will continue to actively seek more opportunities from logistics business to a diversified service provider by providing value-added services to our customers so that we can expand our client portfolio.

After the renovation of our Kwai Hei Street warehouse, the replacement of the cooling system is expected to achieve operational efficiency and to observe environmental protection standards. This made us well equipped for the increasing required standard of cold storage and logistics services in the industry. Although the COVID-19 pandemic is still ongoing, we will continue to flexibly allocate our existing resources and to diversify our customers base by reaching out to more operators of supermarket and frozen-food outlets with their need for cold storage facilities continue to stay strong after the pandemic.

Trading and sales of food and beverage products

The Group continued to conduct internal business restructuring in Mainland China throughout 2022 by sourcing quality suppliers and products, replacing underperforming products and sales channels, realigning our retail prices in tandem with market conditions and adjusting our portfolio with the incorporation of higher-margin products. To achieve further cost efficiency, we will continue to explore alternative sales channels (such as online channels) without compromising our operating effectiveness.

To stay abreast with the digital age, we aim to continue make use of e-commerce solutions for reaching out to larger consumer base in Hong Kong. We believe our newly launched online B2C e-commerce grocery platform "Urban Mart" (「安品・生活」) is capable of reaching out to mass retail customers through increasing number of membership registrations. In addition, we will continue to implement online to offline ("O2O") strategy by sourcing available physical sites for pop-up stores so that our online platform can reach out to more potential customers. It is our belief that by introducing new international and local products, we can further enhance our customers' online and offline shopping experience and can fully satisfy their daily shopping needs.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

The Group is committed to developing a steady and progressive culture that is built on our existing Purpose, Vision and Values. We thrive to nurture innovation, and to exert the best substance from within the Group to customers and stakeholders that enables us to deliver long-term sustainable growth and evolvement. Over the past year, we have demonstrated our achievement on sustaining our cultural framework, in particular operational efficiency, labour performance and service excellence through various initiatives will be set out in the Business Review and the Corporate Governance Report sections in the 2022 annual report.

Our goal is to become the most trusted and efficient cold-chain infrastructure service provider in Hong Kong, by exercising our vision to offer quality cold-chain infrastructure to our customers such as food producers, distributors and trading companies, and to provide reliable food supply to our end-consumers in Hong Kong and worldwide. Our Group's value (reliable, safety, service excellence, and collaboration) provides us with guidance on reaching this goal.

We mainly measure our performance by references to, including but not limited to, revenue, revenue growth, gross profit margin, profit margin, gross profit by segment, operational efficiency and labour performance.

We measure and assess our culture by references to the staff turnover rate, whistleblowing data, feedback from our stakeholders through different forms, including annual performance appraisals, surveys and questionnaires, compliance with the regulations, internal control policies, and findings identified by our Internal Control Adviser.

To ensure that the desired culture and expected behaviours are clearly communicated to all employees, we circulate the latest code of conduct and corporate governance related internal control policies periodically and provide relevant training if necessary. We also held routine meeting between (i) the management and the Board, (ii) the management and the employees at all levels, and (iii) the management and our stakeholders. Company's publications including annual report, interim report and circular are published on the Company's website.

Other than abovementioned communication means, whistleblowing channels with involvement of independent non-executive directors are implemented for sharing ideas and concerns on any misconduct or misalignment identified. Customers, subcontractors and employees are engaged annually in the form of evaluation forms or surveys to understand their opinion and concerns of our Group. We also welcome enquires from stakeholders through an enquiry channel published on the Company's website. All misconduct or misalignment identified will be addressed. For details, please refer to sections headed "Risk Management and Internal Control" of Corporate Governance Report and "Anti-Corruption" of Environmental, Social and Governance Report of the 2022 annual report.

Competitive remuneration packages are provided to our employees and Board members with annual appraisals and performance evaluation being assessed. Please refer to sections headed "Employment and Remuneration policy" of Management Discussion and Analysis and "Remuneration Policy" of Corporate Governance Report of the 2022 annual report. The Company's values and culture (including expected behaviours) are embedded in the recruitment criteria. Training and materials are provided to Directors and employees to refresh their knowledge, exercise their duties and develop the required competencies and, more broadly, the elements supporting a sound risk culture, including effective challenge and open communication.

With the above measures and cultures developed, we believe these can help improve our corporate governance and improve our Group's performance.

We believe generating long-term values for shareholders and stakeholders is the essence for the Group to sustain and grow. The Group has a manifesting and continuous strategy planning process to access, evaluate and identify our organisation's strengths and weaknesses, as well as opportunities and threats that the Group might be facing. We develop and implement strategies based on the results of our planning process, and to align the mindset of achievability that the executives and employees might perform.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2022	2021
Earnings (Loss) per share – basic and diluted	HK cents	**1.64**	(27.67)*
Net assets per share attributable to equity holders of the Company	HK cents	**5.35**	3.66*
Current ratio	times	**0.85**	1.25
Total liabilities to total assets ratio	times	**0.93**	0.96
Gearing ratio	%	**612.4**	1,175.7
Return on equity ratio	%	**30.7**	-755.0
Return on assets	%	**1.8**	-24.7
Assets turnover ratio	times	**0.93**	0.72

*adjusted

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2022, the Group had bank and cash balances of approximately HK$60.4 million (2021: HK$59.9 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 82.3% and 17.7% (2021: 70.9% and 29.1%), respectively. The slight increase was mainly due to increase in cash generated from operations.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to equity holders of the Company was approximately 612.4% as at 31 December 2022 (2021: 1,175.7%). The decrease of gearing ratio was mainly caused by the reclassification of bonds payables from non-current borrowings to current borrowings in accordance with the maturity date.

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 13 November 2014 and ending on 12 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 13 November 2014, 26 January and 23 April 2015. The aggregate principal amount of HK$100 million were issued in the year ended 31 December 2014 and 31 December 2015 with principal amount of HK$40 million and HK$60 million, respectively. The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. As at 31 December 2022, the aggregate principal amount of bonds remaining outstanding was HK$100 million which is same as 31 December 2021.

As at 31 December 2022, bonds with principal amount of HK$40 million (2021: HK$10 million) will mature within twelve months from the end of the reporting period date accordingly, classified as current.

As at 31 December 2022, the Group had a bank borrowing of HK$35 million (2021: HK$35 million) denominated in HK$. The maturity of borrowing is April 2025 (2021: April 2023) with a fixed interest rate of 5% per annum which is same as 31 December 2021. As at 31 December 2022, the banking facility utilised was HK$35 million (2021: HK$35 million).

During the year ended 31 December 2022, the Group's capital expenditure was mainly financed by internal resources.

Treasury policies
The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's bank and cash balances are held mainly in HK$.

Exposure to fluctuations in exchange rates and related hedges
Monetary assets and liabilities of the Group are principally denominated in HK$. 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 and sales of food and beverage business to be operated in Mainland China. The directors will review the exchange rate risks faced by the Group periodically.

During the year ended 31 December 2022, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure
The Company had changed its capital structure in March 2022. As at 31 December 2022, the total issued share capital of the Company was HK$2,901,104 (2021: HK$29,011,040) divided into 290,110,400 ordinary shares (2021: 2,901,104,000 ordinary shares) with a par value of HK$0.01 each.

Capital reorganisation
After a review of the capital structure of the Company, the Board had implemented a capital reorganisation (the "2022 Capital Reorganisation") on 24 March 2022. Capitalised terms used herein shall have the same meaning as defined in the Company's announcements dated 31 January 2022; 10 February 2022; 8 March 2022 and 22 March 2022 (the "Announcements") and the Company's circular dated 25 February 2022 (the "Circular") unless the context requires otherwise. The 2022 Capital Reorganisation comprises the following:

(i) every ten (10) issued shares were consolidated into one (1) Consolidated Share (the "2022 Share Consolidation");

(ii) following the 2022 Share Consolidation, the issued share capital of the Company was reduced by (a) rounding down the total number of Consolidated Shares to the nearest whole number (if necessary); and (b) cancelling the paid up capital of the Company to the extent of HK$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK$0.10 to HK$0.01 (the "2022 Capital Reduction"); and

(iii) immediately following the 2022 Capital Reduction, all the credits arising from the 2022 Capital Reduction was transferred to the capital reserve of the Company.

In light of the closing prices of the issued shares were below HK$0.10 in a number of trading days prior to the 2022 Capital Reorganisation, accordingly, the Company effected the 2022 Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future which the Board considered that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details of the 2022 Capital Reorganisation are set out in the Announcements and the Circular.

Material acquisitions and disposals of subsidiaries, associates and joint ventures
During the year ended 31 December 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

In September 2021, the Group disposed of the entire interest in an associate to the other existing shareholder of the associate. Other than the above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31 December 2021. For details, please refer to the Company's announcements dated 17 September 2021 and 30 September 2021.

The table below sets out the status of utilisation of the net proceeds from disposal of the entire interest in an associate in accordance with the intended application as at 31 December 2022 and 31 December 2021:

Intended application of the net proceeds	Approximate percentage of net proceeds allocated	Approximate amount of net proceeds allocated	Amount utilised as at 31 December 2021	Amount utilised as at 31 December 2022
		HK$'000	*HK$'000*	*HK$'000*
General working capital				
– Working capital and general corporate purposes	100%	14,284	10,750	14,284

The Board confirmed that the net proceeds had fully utilised in the year ended 31 December 2022 and there was no material change or delay in the use of the net proceeds.

Charges on assets
As at 31 December 2022, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage service, to the extent of HK$3.5 million (2021: HK$3.5 million) are secured by bank deposits amounting to HK$1.7 million (2021: HK$1.7 million). The amount utilised at 31 December 2022 was approximately HK$1.4 million (2021: HK$1.4 million).

In addition, within the Group's lease liabilities of approximately HK$85.1 million (2021: HK$144.9 million), approximately HK$0.2 million (2021: HK$0.4 million) was secured by a lessor's charge over the leased asset with carrying value of approximately HK$0.2 million (2021: HK$0.4 million).

Future plans for material investments or capital assets
As at 31 December 2022, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the online B2C e-commerce grocery platform in Hong Kong as mentioned above.

Contingent liabilities
As at 31 December 2022, the Group did not have any contingent liabilities (2021: Nil).

EMPLOYMENT AND REMUNERATION POLICY
As at 31 December 2022, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 180 and 40 respectively (2021: approximately 190 Hong Kong employees; 50 Mainland China employees). Total staff related costs for the year ended 31 December 2022 amounted to approximately HK$69,455,000 (2021: HK$78,568,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy, professional tuition/training subsidy and share option scheme for employees' benefit.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2022 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviations as stated below.

According to the code provision C.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 year ended 31 December 2022, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan, Mr. Fung Pak Kei and Mr. Cheung Hoi Kin acted as Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company respectively. Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei are responsible for all day-to-day corporate management matters and Mr. Cheung Hoi Kin is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31 December 2022 there was no meeting held between the Chairman and the independent non-executive directors without the presence of other directors and the Company did not comply with the code provision C.2.7 of the CG Code.

According to the code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting and invite 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 year ended 31 December 2022, the Company did not comply with code provision F.2.2 of the CG Code. The Company had arranged for other directors and management who are well-versed in the Company's business and affairs to attend the 2022 annual general meeting and communicate with the Shareholders.

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 Board. 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 the CG Code if necessary.

Directors' securities transactions

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

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

Audit Committee

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year, including the financial and accounting policies and practices adopted by the Group, and discussed matters relating to auditing, risk management and internal control and financial reporting.

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Mazars CPA Limited on the preliminary announcement.

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

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

The 2022 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the HKExnews and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei; non-executive directors, namely, Mr. Au Tat Wai and 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
Ho Hon Chung, Ivan
Executive Director

Hong Kong, 30 March 2023