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# DAIDO GROUP LIMITED

大同集團有限公司\*

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

**(Stock Code: 00544)**

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board of Directors (the “Board”) of Daido Group Limited (the “Company”) would like to report the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditor of the Company.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*SIX MONTHS ENDED 30 JUNE 2024*

		Six months ended 30 June	
	Notes	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	4		
– Provision of cold storage and related services		100,998	118,670
– Trading and sales of food and beverage		23,612	43,093
– Others		127	131
Total revenue		124,737	161,894
Cost of revenue		(119,677)	(127,831)
Gross profit		5,060	34,063
Other income	5	6,169	3,974
Other gains and losses, net	6	(76)	12,646
Loss allowance on trade and other receivables, net		(132)	(173)
Selling and distribution expenses		(6,013)	(5,085)
Administrative expenses		(18,004)	(18,549)
Finance costs	7	(6,768)	(5,482)
<b>(Loss) Profit before tax</b>		<b>(19,764)</b>	<b>21,394</b>
Income tax expenses	8	-	-
<b>(Loss) Profit for the period</b>		<b>(19,764)</b>	<b>21,394</b>

*\*For identification purpose only*

		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(316)</u>	<u>(692)</u>
<b>Total comprehensive (expense) income for the period</b>		<u><b>(20,080)</b></u>	<u><b>20,702</b></u>
<b>(Loss) Profit for the period attributable to:</b>			
Equity holders of the Company		<b>(19,764)</b>	11,833
Non-controlling interests		<u>-</u>	<u>9,561</u>
		<u><b>(19,764)</b></u>	<u><b>21,394</b></u>
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Equity holders of the Company		<b>(20,080)</b>	11,141
Non-controlling interests		<u>-</u>	<u>9,561</u>
		<u><b>(20,080)</b></u>	<u><b>20,702</b></u>
<b>(Loss) Earnings per share attributable to equity holders of the Company</b>			
	10		
Basic		<b>(HK6.81 cents)</b>	HK4.08 cents
Diluted		<u><b>(HK6.81 cents)</b></u>	<u>HK4.08 cents</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		At 30 June 2024 <i>HK\$'000</i> (unaudited)	At 31 December 2023 <i>HK\$'000</i> (audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		3,067	3,173
Right-of-use assets		84,269	76,803
Goodwill		68	68
Rental deposits paid		199	195
Pledged bank deposits		1,700	1,700
		<u>89,303</u>	<u>81,939</u>
<b>Current assets</b>			
Inventories		1,366	886
Trade and other receivables, deposits and prepayments	11	100,150	107,761
Bank and cash balances		46,054	61,952
		<u>147,570</u>	<u>170,599</u>
<b>Current liabilities</b>			
Trade and other payables	12	12,312	14,451
Contract liabilities		5,693	7,366
Bank borrowing		35,000	-
Lease liabilities		82,388	73,918
Bonds payables		100,000	100,000
		<u>235,393</u>	<u>195,735</u>
<b>Net current liabilities</b>		<u>(87,823)</u>	<u>(25,136)</u>
<b>Total assets less current liabilities</b>		<u>1,480</u>	<u>56,803</u>
<b>Non-current liabilities</b>			
Bank borrowing		-	35,000
Lease liabilities		711	954
		<u>711</u>	<u>35,954</u>
<b>NET ASSETS</b>		<u>769</u>	<u>20,849</u>
<b>Capital and reserves</b>			
Share capital		2,901	2,901
Reserves		(2,132)	17,948
<b>TOTAL EQUITY</b>		<u>769</u>	<u>20,849</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2024

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“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 D2 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

At 30 June 2024, the Group has net current liabilities position of approximately HK\$87,823,000. At 30 June 2024, the Group’s total borrowings comprising bank borrowing, lease liabilities and bonds payables amounted to approximately HK\$218,099,000 and the balance of approximately HK\$217,388,000 will be due in the coming twelve months from the end of the reporting period. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. Based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2024, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months taking into account the internal resources available, repayment schedule of bonds payables and bank borrowing and the cash generated from operation. The directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

## 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 value.

Other than additional/changes in accounting policies resulting from adoption of new/revised to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

### Adoption of new/revised to HKFRSs

In the current interim period, the Group has adopted the following new/revised to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

The adoption of the new/revised to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for current interim period.

### 3. 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.

For the six months ended 30 June 2023, the Group had three reportable segments: Cold storage and related services, trading and sales of food and beverage and money lending services.

For the year ended 31 December 2023, in the opinion of the management of the Group, the money lending services segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more profitable segments including the existing business segments. The Group has no plan to engage in money lending services. To reflect the Group's future business development plan and prospect, the money lending services have been reclassified as non-reportable segment.

Comparative figures have been restated to conform to the current period's presentation.

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; and
- (ii) Trading and sales of food and beverage in the People's Republic of China (the "PRC") and 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 revenue and results

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

#### Six months ended 30 June 2024 (unaudited)

	<b>Cold storage and related services HK\$'000</b>	<b>Trading and sales of food and beverage HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue	<b><u>100,998</u></b>	<b><u>23,612</u></b>	<b><u>124,610</u></b>
Segment results	<b><u>(9,684)</u></b>	<b><u>(447)</u></b>	<b>(10,131)</b>
Unallocated revenue			127
Unallocated other income			41
Unallocated other gains and losses, net			(32)
Unallocated finance costs			(3,028)
Unallocated expenses			<b><u>(6,741)</u></b>
Loss before tax			<b><u>(19,764)</u></b>

Six months ended 30 June 2023 (unaudited)

	Cold storage and related services <i>HK\$'000</i>	Trading and sales of food and beverage <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> (Restated)
Segment revenue	<u>118,670</u>	<u>43,093</u>	<u>161,763</u>
Segment results	<u>15,562</u>	<u>2,742</u>	18,304
Unallocated revenue			131
Unallocated other income			133
Unallocated other gains and losses, net			(51)
Gain on disposal of a subsidiary			12,729
Unallocated finance costs			(3,046)
Unallocated expenses			<u>(6,806)</u>
Profit before tax			<u>21,394</u>

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 revenue, certain other income, certain other gains and losses, 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.

### Geographical information

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

The following table provide an analysis of the Group's revenue from external customers by geographical location:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Hong Kong	<b>101,125</b>	118,933
The PRC	<u><b>23,612</b></u>	<u>42,961</u>
	<u><b>124,737</b></u>	<u>161,894</u>

#### 4. REVENUE

Revenue is analysed by category as follows:

	Six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Revenue from contracts with customers within HKFRS 15</b>		
Provision of cold storage and related services		
– Cold storage	88,840	104,585
– Handling services	1,292	1,574
– Logistic services	10,866	12,511
	<u>100,998</u>	<u>118,670</u>
Trading and sales of food and beverage	<u>23,612</u>	<u>43,093</u>
Total revenue from contracts with customers within HKFRS 15	<u>124,610</u>	<u>161,763</u>
Others	<u>127</u>	<u>131</u>
<b>Total revenue</b>	<u>124,737</u>	<u>161,894</u>
In addition to the information shown in segment disclosures, the revenue from contracts with customers within HKFRS 15 disaggregated as follows:		
<b>Timing of revenue recognition</b>		
A point in time	23,612	43,093
Over time	<u>100,998</u>	<u>118,670</u>
	<u>124,610</u>	<u>161,763</u>

## 5. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government subsidies	-	279
Imputed interest income on rental deposits paid	1,496	1,253
Interest income from bank deposits	37	129
Other service income	4,610	2,236
Sundry income	26	77
	<u>6,169</u>	<u>3,974</u>

## 6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Exchange losses, net	(84)	(83)
Gain on disposal of a subsidiary	-	12,729
Loss on written-off/ disposal of property, plant and equipment	(43)	-
Reversal of loan receivables	51	-
	<u>(76)</u>	<u>12,646</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowing	863	863
Interest expense on bonds payables	3,000	3,000
Interest expense on lease liabilities	2,905	1,619
	<u>6,768</u>	<u>5,482</u>



## 8. INCOME TAX EXPENSES

### 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 six months ended 30 June 2024 and 2023.

### 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 at 25% (six months ended 30 June 2023: 25%).

## 9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2023: nil). The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2023: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to equity holders of the Company is based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<i>(Loss) Profit</i>		
(Loss) Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted (loss) earnings per share	<u><b>(19,764)</b></u>	<u><b>11,833</b></u>
<i>Number of shares</i>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>290,110</b>	<b>290,110</b>
Effect of dilutive potential ordinary shares:		
– Shares issuable from the Company's share option (Note)	<u><b>-</b></u>	<u><b>-</b></u>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<u><b>290,110</b></u>	<u><b>290,110</b></u>

Note:

The computation of diluted (loss) earnings per share for the six months ended 30 June 2024 and 2023 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market prices for shares. Diluted (loss) earnings per share is same as the basic (loss) earnings per share for the six months ended 30 June 2024 and 2023 as there were no potential ordinary shares in issue for both periods.

## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

At 30 June 2024, included in trade and other receivables, deposits and prepayments are trade receivables, net of allowance, of approximately HK\$40,678,000 (31 December 2023: approximately HK\$44,542,000).

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:

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Within 30 days	16,743	22,919
31 to 60 days	13,072	12,353
61 to 90 days	5,371	5,674
91 to 120 days	877	1,203
More than 120 days	4,615	2,393
	<u>40,678</u>	<u>44,542</u>

At 30 June 2024, included in the carrying amount of trade receivables is loss allowance of approximately HK\$446,000 (31 December 2023: approximately HK\$314,000).

## 12. TRADE AND OTHER PAYABLES

At 30 June 2024, included in trade and other payables are trade payables of approximately HK\$4,077,000 (31 December 2023: approximately HK\$4,590,000).

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:

	At 30 June 2024 HK\$'000 (unaudited)	At 31 December 2023 HK\$'000 (audited)
Within 30 days	2,929	3,305
31 to 60 days	1,148	1,245
61 to 90 days	-	33
91 to 120 days	-	7
	<u>4,077</u>	<u>4,590</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERALL RESULTS**

For the six months ended 30 June 2024, the Group's total revenue amounted to approximately HK\$125 million, representing a decrease of about 22.8%, compared to approximately HK\$162 million from the corresponding period of last year.

For the six months ended 30 June 2024, the Group recorded a loss attributable to equity holders of the Company of approximately HK\$19.8 million compared to the profit of approximately HK\$11.8 million recorded in the corresponding period of last year, representing a decrease of about 267.8%.

The Board considers that the loss was primarily attributable to (i) the absence of one-off gain from the disposal of a subsidiary recorded in the corresponding period in 2023; (ii) the decrease in revenue from the trading and sales of food and beverage business in Mainland China by approximately 45.0%; and (iii) the decrease in revenue from the cold storage and related services business by approximately 14.9%. The decrease in revenue as mentioned in (ii) and (iii) was mainly resulting from the challenging macroeconomic conditions, thereby weakening the demand for the Group's products and services.

### **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.

During the first half of 2024, Hong Kong residents continued the post-COVID-19 trend of traveling to Mainland China and overseas countries. This led to a shift in consumer spending away from Hong Kong, negatively impacting local demand for frozen food in the food and beverage (F&B) industry. Under this unfavorable trend, the Group was able to maintain its cold storage and logistics operations at a reduced pace during the first half of 2024 compared to the same period the previous year, thanks to improved operating efficiency.

The facilities agreement for the Group's Tsing Yi warehouse expired at the end of June 2024. Instead of renewing the agreement, the decision was made to relocate all customers and goods from the Tsing Yi warehouse to the Kwai Hei Street warehouse. This strategy improved the overall utilization of the Kwai Hei Street warehouse and generates significant cost savings which will be reflected in the second half of the year.

Additionally, to optimise operational resources, the Group made adjustments to its workforce, which contributed to further cost reductions.

With this situation and further recovery of the economy, the management is cautiously optimistic and 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 manage foreseeable market rebound and to achieve sustainable corporate growth in the long run.

The grocery distributors, supermarkets, and frozen-food outlets sectors continued to be our primary sources of customers. In response to the market demand from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our warehouse. During the current period, we maintained good relationships and stable business volume with existing customers while continued to reach out and develop business with other operators in these sectors.

The Group maintained warehouse disinfection and food package of cold stores at industry standard. We will continue to apply these hygienic actions to protect our employees and customers. The cooling system replaced during last renovation of Kwai Hei Street warehouse made us well equipped for the increasing required standard of cold storage and logistics services in the industry.

There was a considerable increase of rental cost imposed by our landlord for the cold storage warehouse that the Group operated, which remains as a key cost item, during the first half of 2024. We adjusted prices with a higher rate to some selected customers thereupon, and the management is also expecting an increase in business volume from customers who enjoyed unadjusted rates.

During the first half of 2024, part of the Kwai Hei Street warehouse is under reconstruction. The facility will be converted from a bonded warehouse into a cold storage warehouse. As a result of this reconstruction, the warehouse now has increased cold storage capacity to better support the Group's higher-margin cold storage business.

The logistics business that mainly support 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 focusing on developing higher margin wholesale channels.

After experiencing a decrease in consumer demand during the first half of 2024, the Group undertook a continuous review and assessment of its existing wholesale channels and product portfolio. As a result, the Group ceased certain distribution channels and products with lower profit margins, while building up higher-margin offerings, particularly by expanding its network of major convenience store partners.

Concurrently, the Group implemented stringent cost control measures to maintain the profitability of this business segment. Through these strategies, the Group was able to successfully maintain good relationships with reputable supermarket brands, while also developing its convenience store network smoothly during the first half of 2024.

Overall, the Group recorded a loss in this segment during the first half of 2024, with a decrease of revenue due to less demand of our products under the challenging macroeconomic conditions.

### **PROSPECTS**

With support from the Hong Kong Government, the resume of economic activities, such as plans to attract talents and tourists, had successfully stimulated consumer spending in the domestic market. According to the Census and Statistics Department of the Hong Kong Government, GDP increased by 3.3% in real terms in the second quarter of 2024 from a year earlier, compared with the increase of 2.8% in the first quarter. However, the volume index of restaurant receipts for the first and second quarters 2024 decreased by 0.7% and 4.6% (provisional figure), which means the sales receipts of local catering establishments had actually decreased after excluding price changes.

We expect the Group's cold storage and logistics operations in Hong Kong as well as food and beverage distribution operations in Mainland China to gradually recover through our continuous internal restructuring and reallocation of resources together with measures to stimulate the economy taken by the Hong Kong Government and the Mainland China Government.

### **Cold storage and logistics**

As the core business unit of the Group, our aim is to continue stabilising it while also seeking more opportunities to make it grow even stronger. The Group has recognised the increasing standards required for cold storage and logistics services in the industry. Furthermore, with the establishment of the Transport and Logistics Bureau in 2022, we expect that the improvements to Hong Kong's transportation and logistics infrastructure will be well-received, attracting more potential investors globally.

The Group will continue to actively pursue new opportunities within the cold storage and logistics business sector. Our goal is to become a diversified service provider by offering value-added services to our customers, which will enable us to expand our overall client portfolio. By leveraging our expertise and the favorable industry developments, we aim to further strengthen our core business unit and position the Group for sustained growth.

Following the reconstruction of our Kwai Hei Street warehouse, we now have more cold storage capacity to devote to the higher margin cold storage business. Optimising our manpower will be an ongoing task to achieve greater operational efficiency.

We will continue to flexibly and promptly allocate our existing resources to meet the demands of our customers. Additionally, we plan to diversify our customer base by reaching out to more operators of supermarkets and frozen-food outlets, as their need for reliable cold storage facilities remains strong.

By leveraging our expanded cold storage capacity and optimizing our operations, we aim to capitalise on the growing demand for cold storage services. This will allow us to enhance the profitability of our core business unit and solidify our position as a leading provider of integrated logistics solutions.

Furthermore, our plan to seek suitable strategic partners to establish a joint venture is expected to make material progress in the upcoming half-year period. This partnership is anticipated to fuel the overall development of the Group.

### **Trading and sales of food and beverage products**

The Group expects the profitability of our food and beverage distribution operations in Mainland China to continue increasing, driven by our strategy of developing higher-margin wholesale channels. We will continue to replace underperforming products and sales channels, realign our prices in tandem with market conditions, and adjust our portfolio to incorporate more higher-margin products and wholesale channels.

We will maintain our presence in the high-margin supermarket chain channel while also exploring the mass network of convenience stores. Additionally, we will continue our strategy of sourcing suitable high-margin foreign products to trade in Mainland China, while also seeking appropriate Mainland China-made products to trade in Hong Kong. This diversified approach aims to achieve further profitability.

By optimizing our product mix, pricing, and distribution channels, as well as exploring strategic partnerships, we are confident in our ability to drive increased profitability from our food and beverage distribution operations in Mainland China.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

At 30 June 2024, the Group had bank and cash balances of approximately HK\$46.1 million (31 December 2023: approximately HK\$62.0 million), which was denominated in Hong Kong dollars (“HK\$”), Renminbi (“RMB”) and United States dollars (“US\$”) as to approximately 93.4%, 6.6% and nil (31 December 2023: approximately 73.5%, 10.0% and 16.5%), respectively. The decrease was mainly due to cash used in operations and financing activities.

At 30 June 2024, the gearing ratio of the Group was 175.6 (31 December 2023: 6.5), which was calculated based on total debts including bank borrowing and bonds payables divided by equity attributable to equity holders of the Company.

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 were 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. At 30 June 2024, the aggregate principal amount of bonds remaining outstanding was HK\$100 million which is same as 31 December 2023.

At 30 June 2024, bonds with principal amount of HK\$100 million (31 December 2023: HK\$100 million) will mature within twelve months from the end of the reporting period accordingly, classified as current. During the current interim period, the Company and the bondholders entered into agreements with principal amount of HK\$60 million for a maturity date ranging from six months to maximum two years if considering the extension option. In addition, a bond with principal amount of HK\$10 million was further extended for six months by the Company and a bondholder during the current interim period.

At 30 June 2024, the Group had a bank borrowing of HK\$35 million (31 December 2023: HK\$35 million) denominated in HK\$. The maturity of borrowing is April 2025 with a fixed interest rate of 5% per annum which is same as 31 December 2023.

During the current interim period, 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 current interim period, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

### **Share capital structure**

At 30 June 2024, the total issued share capital of the Company was HK\$2,901,104 (31 December 2023: HK\$2,901,104) divided into 290,110,400 ordinary shares (31 December 2023: 290,110,400 ordinary shares) with a par value of HK\$0.01 each.

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

During the current interim period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures. During the corresponding period of last year, a non-operating subsidiary was disposed by the Group.

### **Charges on assets**

At 30 June 2024, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage services, to the extent of HK\$3.5 million (31 December 2023: HK\$3.5 million) are secured by bank deposits amounting to HK\$1.7 million (31 December 2023: HK\$1.7 million). The amount utilised at 30 June 2024 was approximately HK\$1.4 million (31 December 2023: approximately HK\$1.4 million).

In addition, within the Group's lease liabilities of approximately HK\$83.1 million (31 December 2023: approximately HK\$74.9 million), approximately HK\$0.7 million (31 December 2023: approximately HK\$0.5 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK\$0.8 million (31 December 2023: approximately HK\$0.5 million).

### **Future plans for material investments or capital assets**

At 30 June 2024, the Group did not have any concrete future plans for material investments or capital assets.

### **Contingent liabilities**

At 30 June 2024, the Group did not have any contingent liabilities (31 December 2023: nil).

### **EMPLOYMENT AND REMUNERATION POLICY**

At 30 June 2024, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 160 and 30 respectively (30 June 2023: approximately 170 Hong Kong employees; 40 Mainland China employees). Total staff related costs for the six months ended 30 June 2024 amounted to approximately HK\$33,696,000 (six months ended 30 June 2023: approximately HK\$33,967,000). 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.

### **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: 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 (including sale of treasury shares) during the six months ended 30 June 2024. The Company did not hold any treasury shares during the six months ended 30 June 2024.

### **IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD**

No important events affecting the Group occurred since 30 June 2024 and up to the date of this announcement.

## **CORPORATE GOVERNANCE**

### **Code on corporate governance practices**

For the first half of 2024, the Board is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code in Appendix C1 (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 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 current interim period, there have been no Chairman in the Company. Mr. Fung Pak Kei (“Mr. Fung”), Mr. Ho Hon Chung, Ivan (“Mr. Ho”) and Mr. Cheung Hoi Kin (“Mr. Cheung”) acted as Chief Executive Officer, Acting Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Fung and Mr. Ho are responsible for all day-to-day corporate management matters and Mr. Cheung is responsible for corporate financial matters.

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 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 current interim period, 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 2024 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.

### **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 C3 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 current interim period. No incident of non-compliance was noted by the Company during the current interim period.

### **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 condensed consolidated results of the Group for the six months ended 30 June 2024 with the Directors. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 June 2024 comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure has been made.

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



## **Risk management and internal control**

The Board is responsible for ensuring the Group possesses adequate and effective risk management and internal control systems (the “RM and IC Systems”). The Audit Committee then reviews this system. The RM and IC Systems aim to manage potential risks of failure in operational systems so that the Group’s objectives are met, offering reasonable assurance against material misstatements or losses but can never offer an absolute guarantee.

The Group has adopted a series of internal control measures including strengthening of reporting lines of senior management. As a routine procedure and part of the Group’s RM and IC Systems, Executive Directors and senior management meet regularly to review the financial and operating performance of the Group’s key operating subsidiaries. Senior management of each department is also required to keep Executive Directors informed of significant developments in the department’s business and regularly implement strategies and policies set by the Board.

To further strengthen the RM and IC systems of the Group, the Company has engaged an independent professional adviser (the “Internal Control Adviser”) to carry out the internal audit functions by performing an independent appraisal of the adequacy and effectiveness of certain subsidiaries’ RM and IC systems. The Internal Control Adviser is conducting their appraisal for the current fiscal year as of the report date.

During the six months ended 30 June 2024, the Audit Committee, with the assistance of the Internal Control Adviser, has developed the current year’s RM and IC systems appraisal plan. The scope of the current fiscal year’s RM and IC system evaluation plan focused on reviewing (i) operating process of the cold storage and related services segment (sales, receivables and receipt cycle and human resources management cycle); (ii) operating process of the ancillary logistics services segment (procurement, payables and payment cycle and human resources management cycle); (iii) compliance risk management controls of the Group; (iv) financial reporting and disclosure controls of the Group; and (v) follow up on recommendations from the previous year’s report.

During the six months ended 30 June 2024, the Board was satisfied that the Group’s risk management and internal control processes were adequate to meet the needs of the Group in its current business environment and that nothing had come to their attention to cause them to believe the Group’s RM and IC Systems were inadequate. The existing RM and IC Systems were effective and adequate, and the Board would continue to review, strengthen, or update them in response to changes in the operating environment.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.irasia.com/listco/hk/daido/index.htm](http://www.irasia.com/listco/hk/daido/index.htm).

The 2024 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. Fung Pak Kei and Mr. Ho Hon Chung, Ivan; non-executive directors, namely, Mr. Au Tat Wai and Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Leung Chi Hung, Mr. Lo Chi Wang and Mr. Tse Yuen Ming.

By order of the Board  
**Daido Group Limited**  
**Fung Pak Kei**  
*Executive Director*

Hong Kong, 29 August 2024