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 2024

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 2024, together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	**2024** **HK$'000**	2023 HK$'000 (Restated)
Revenue	*4*		
– Provision of cold storage and related services		**180,408**	230,574
– Trading and sales of food and beverage		**38,747**	67,551
– Others		**233**	261
Total revenue		**219,388**	298,386
Cost of revenue		**(209,496)**	(245,903)
Gross profit		**9,892**	52,483
Other income	*5*	**12,152**	10,088
Other gains (losses), net	*6*	**87**	(2,704)
Gain on disposal of a subsidiary		**-**	12,729
Loss allowances on trade and other receivables, net		**(323)**	(60)
Reversal of loss allowances on loan receivables, net		**-**	55
Selling and distribution expenses		**(11,208)**	(10,543)
Administrative expenses		**(36,629)**	(36,374)
Finance costs	*7*	**(14,199)**	(10,241)

* *For identification purpose only*

	Notes	2024 HK$'000	2023 HK$'000 (Restated)
(Loss) Profit before tax		**(40,228)**	15,433
Income tax expenses	*8*	**-**	-
(Loss) Profit for the year		**(40,228)**	15,433
Other comprehensive losses			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(358)**	(336)
Item that may not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plan obligations		**(20)**	(610)
Total other comprehensive losses		**(378)**	(946)
Total comprehensive (losses) income for the year		**(40,606)**	14,487
(Loss) Profit for the year attributable to:			
Equity holders of the Company		**(40,228)**	5,872
Non-controlling interests		**-**	9,561
		(40,228)	15,433
Total comprehensive (losses) income for the year attributable to:			
Equity holders of the Company		**(40,606)**	4,926
Non-controlling interests		**-**	9,561
		(40,606)	14,487
(Loss) Earnings per share attributable to equity holders of the Company			
Basic and diluted	*9*	**HK$(13.87) cents**	HK$2.02 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2024

	Notes	2024 HK$'000	2023 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment		**3,484**	3,173
Right-of-use assets		**477,303**	76,803
Goodwill		**68**	68
Rental deposits paid	*11*	**12,618**	195
Pledged bank deposits		**1,700**	1,700
		495,173	81,939
Current assets			
Inventories		**578**	886
Trade and other receivables, deposits and prepayments	*11*	**32,816**	107,761
Bank and cash balances		**59,765**	61,952
		93,159	170,599
Current liabilities			
Trade and other payables	*12*	**10,163**	13,790
Contract liabilities		**5,259**	7,366
Defined benefit plan obligations		**3,333**	3,779
Lease liabilities		**52,960**	73,918
Bonds payables		**75,000**	100,000
Bank borrowing		**35,000**	-
		181,715	198,853
Net current liabilities		**(88,556)**	(28,254)
Total assets less current liabilities		**406,617**	53,685
Non-current liabilities			
Lease liabilities		**419,492**	954
Bonds payables		**10,000**	-
Bank borrowing		**-**	35,000
		429,492	35,954
NET (LIABILITIES) ASSETS		**(22,875)**	17,731

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Capital and reserves		
Share capital	**2,901**	2,901
Reserves	**(25,776)**	14,830
TOTAL (DEFICIT) EQUITY	**(22,875)**	17,731

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period and the change in an accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") and long service payments ("LSP") offsetting mechanism in Hong Kong (the "Abolition").

Going concern

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration of the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$40,228,000 for the year ended 31 December 2024 and, as at that date, the Group's current liabilities exceed its current assets of approximately HK$88,556,000 and its total liabilities exceed its total assets of approximately HK$22,875,000 at 31 December 2024. There is a material uncertainty related to these matters that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors considered that the net current liabilities and net liabilities positions of the Group as of 31 December 2024 were primarily due to the bonds payables amounted to HK$75,000,000 and a bank borrowing amounted to HK$35,000,000 which are due for repayment within 12 months after 31 December 2024. The Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of approval of the consolidated financial statements, after taking into consideration of the followings:

(1) the Group is negotiating and discussing with the bondholders for the existing and future settlement/schedule plans related to the bonds and actively exploring the availability of fund-raising activities as and when appropriate;

(2) the Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various expenses, in particular, the Group has suspended certain non-profitable services lines during the second half of the financial year of 2024, in order to enhance its profitability and to improve the cash flow from its operation in future; and

(3) the Group will actively negotiate with the banks and other financial institutions in Hong Kong to secure new financing arrangement to meet the Group's working capital and financial requirements in the near future. The Group will also actively seek opportunities to carry out fund raising activities including but not limited the placing of new shares as alternative sources of funding.

Having regard to the cash flow projection of the Group, which are prepared assuming that the above measures are successful, the Directors are of the opinion that, in the light of the measures taken to-date, together with the expected results of the other measures in progress, the Group will have sufficient funding resources to satisfy its future working capital and other financing requirements. The Directors believe that the aforementioned measures will be successful, based on the continuous efforts by the management of the Group.

However, should the above measures not be able to implement successfully, the Group may not have sufficient funds to operate as a going concern, in which case adjustments might have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to reclassify the non-current assets and non-current liabilities as current assets and current liabilities, respectively and to provide for any further liabilities which might arise.

2. CHANGE IN ACCOUNTING POLICIES

Adoption of new/revised HKFRSs

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

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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.

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

Amendments to HKAS 1: Non-current Liabilities with Covenants
The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

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

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
This Interpretation is revised as a consequence of the above Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

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

Change in an accounting policy on long service payments

Application of the HKICPA guidance on the accounting implications of the Abolition

In June 2022, the Government of the Hong Kong Special Administrative Region ("HKSAR") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP. The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published the Abolition which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition (the "HKICPA Guidance").

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee, and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA Guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pretransition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group has recognised a cumulative catch-up adjustment in profit or loss for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2023, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is calculated as the difference at the enactment date (16 June 2022) between the carrying amount of the LSP liability calculated under paragraph 93(b) of HKAS 19 before the Abolition and the carrying amount of the LSP liability calculated under paragraph 93(a) of HKAS 19 after the Abolition.

The impacts of the adoption of the HKICPA Guidance on the comparative information presented in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023 and consolidated statement of financial position as at 31 December 2023 are summaried as below.

	As previously reported *HK$'000*	Effect of the Abolition *HK$'000*	As restated *HK$'000*
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023			
Cost of revenue	(246,510)	607	(245,903)
Selling and distribution expenses	(10,537)	(6)	(10,543)
Administrative expenses	(36,084)	(290)	(36,374)
Finance costs	(10,130)	(111)	(10,241)
Profit for the year	15,233	200	15,433
Profit attributable to equity holders of the Company	5,672	200	5,872
Total other comprehensive losses	(336)	(610)	(946)
Total comprehensive income for the year	14,897	(410)	14,487
Total comprehensive income attributable to equity holders of the Company	5,336	(410)	4,926
Earnings per share attributable to equity holders of the Company			
– Basic and diluted	HK$1.96 cents	HK$0.06 cents	HK$2.02 cents
Consolidated Statement of Financial Position as at 31 December 2023			
LIABILITIES			
Current liabilities			
Defined benefit plan obligations*	(661)	(3,118)	(3,779)
EQUITY			
Reserves	(17,948)	3,118	(14,830)

Except for the above changes under the consolidated financial statements which triggered certain non-cash changes of the items under the consolidated statement of cash flows, there is no cash flow impact arising from the change in an accounting policy affected the consolidated statement of cash flows for the year ended 31 December 2023.

* The liabilities arising from defined benefit plan obligations were recognised under "Other payables" in the consolidated statement of financial position as at 31 December 2023.

Future changes in HKFRSs

At the date of this announcement, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current period, which the Group has not early adopted.

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Annual Improvements to HKFRSs	Volume 11 [2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after 1 January 2026
[3] Effective for annual periods beginning on or after 1 January 2027
[4] The effective date to be determined

The Directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

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.

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 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 revenue and 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), certain finance costs and if applicable, certain other gains and losses, net and gain on disposal of a subsidiary.

Revenue from customers contributing 10% or more of the total revenue of the Group is reflected within the below operating segment information as "Major Customer".

Year ended 31 December 2024

	Cold storage and related services *HK$'000*	**Trading and sales of food and beverage** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
Major customer A	**35,388**	**-**	**35,388**
Other customers	**145,020**	**38,747**	**183,767**
Total revenue	**180,408**	**38,747**	**219,155**
Segment results	**(19,260)**	**(1,215)**	**(20,475)**
Unallocated other revenue			**233**
Unallocated other income			**96**
Unallocated other losses, net			**(49)**
Unallocated finance costs			**(5,774)**
Unallocated expenses			**(14,259)**
Loss before tax			**(40,228)**

Year ended 31 December 2023

	Cold storage and related services *HK$'000* (Restated)	Trading and sales of food and beverage *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue			
Major customer A	35,032	-	35,032
Major customer B	-	50,160	50,160
Other customers	195,542	17,391	212,933
Total revenue	230,574	67,551	298,125
Segment results	23,234	(1,111)	22,123
Unallocated other revenue			261
Unallocated other income			353
Unallocated other losses, net			(63)
Gain on disposal of a subsidiary			12,729
Unallocated finance costs			(6,086)
Unallocated expenses			(13,884)
Profit before tax			15,433

4. REVENUE

Revenue is analysed by category as follows:

	2024	2023
	HK$'000	*HK$'000*
Revenue from Contracts with Customers within HKFRS 15		
Provision of cold storage and related services		
- *Cold storage services*	**158,199**	201,429
- *Handling services*	**2,285**	3,270
- *Logistics services*	**19,924**	25,875
	180,408	230,574
Trading and sales of food and beverage	**38,747**	67,551
	219,155	298,125
Other revenue	**233**	261
Total revenue	**219,388**	298,386
Timing of revenue recognition		
At a point of time	**38,747**	67,551
Overtime	**180,408**	230,574
	219,155	298,125

5. OTHER INCOME

	2024	2023
	HK$'000	*HK$'000*
Government subsidies *(Note)*	**-**	354
Imputed interest income on rental deposits paid	**3,050**	2,552
Interest income from bank deposits	**87**	344
Other services income	**8,950**	6,768
Sundry income	**65**	70
	12,152	10,088

Note: During the year ended 31 December 2023, the Group recognised government subsidies of approximately HK$97,000 in respect of Covid-19-related subsidies, of which (i) approximately HK$9,000 relates to Employment Support Scheme from the Government of HKSAR for recognised staff costs; and (ii) approximately HK$88,000 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 2023, the Group recognised government subsidy of approximately HK$257,000 in respect of Phasing out Euro IV Diesel Commercial Vehicles-Ex-gratia Payment Scheme provided by the Government of HKSAR.

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

6. OTHER GAINS (LOSSES), NET

	2024	2023
	HK$'000	*HK$'000*
Exchange losses, net	**(132)**	(97)
Gains (Losses) on disposal/written-off of property, plant and equipment, net	**146**	(835)
Losses on written-off of intangible assets	**-**	(234)
Recovery (provision) of loan receivables	**81**	(21)
Written-off of trade receivables	**(8)**	(1,517)
	87	(2,704)

7. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Interest expense on a bank borrowing	**1,726**	1,726
Interest expense on bonds payables	**5,724**	6,000
Interest expense on lease liabilities	**6,649**	2,404
Interest expense on defined benefit plan obligations	**100**	111
	14,199	10,241

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 and some of the Group's entities incurred losses for taxation purposes in Hong Kong for the years ended 31 December 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 enterprise income tax of their respective jurisdictions.

The Group's operations in the PRC are subject to the PRC's enterprise income tax at 25% *(2023: 25%)*.

9. (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share is calculated based on the loss for the year ended 31 December 2024 attributable to the equity holders of the Company of approximately HK$40,228,000 *(2023: profit for the year attributable to the equity holders of the Company of approximately HK$5,872,000 (restated))* and on the weighted average number of approximately 290,110,000 ordinary shares *(2023: approximately 290,110,000 ordinary shares)* in issue during the year ended 31 December 2024.

Diluted (loss) earnings per share is the same as basic (loss) earnings per share as there were no potential dilutive ordinary share outstanding.

10. DIVIDEND

No dividend was paid during the year *(2023: Nil)*, nor has any dividend been proposed since the end of the reporting period *(2023: Nil)*.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024	2023
	HK$'000	*HK$'000*
Trade receivables from third parties	**30,627**	44,856
Less: Loss allowances	**(637)**	(314)
	29,990	44,542
Other receivables		
Other receivables	**203**	252
Rental deposits paid	**12,829**	53,431
Deposits and prepayments	**2,412**	2,831
Other deposit paid	**-**	6,900
	15,444	63,414
Sub-total	**45,434**	107,956
Less: Presented under non-current assets		
Rental deposits paid	**(12,618)**	(195)
Total presented under current assets	**32,816**	107,761

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

	2024	2023
	HK$'000	*HK$'000*
Within 30 days	**13,142**	22,919
31 to 60 days	**8,069**	12,353
61 to 90 days	**3,352**	5,674
91 to 120 days	**1,269**	1,203
More than 120 days	**4,158**	2,393
	29,990	44,542

12. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**2,760**	4,590
Other payables		
Accruals and other payables	**3,253**	2,651
Accrued staff costs	**1,809**	3,557
Bonds interest payables	**2,341**	2,992
	7,403	9,200
	10,163	13,790

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

	2024	2023
	HK$'000	*HK$'000*
Within 30 days	**2,158**	3,305
31 to 60 days	**602**	1,245
61 to 90 days	**-**	33
91 to 120 days	**-**	7
	2,760	4,590

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the year ended 31 December 2024, the Group's total revenue amounted to approximately HK$219 million, representing a decrease of about 26.5%, compared to approximately HK$298 million from the preceding year.

For the year ended 31 December 2024, the Group recorded a loss attributable to the equity holders of the Company of approximately HK$40.2 million, compared to the profit of approximately HK$5.9 million (restated) recorded in the year ended 31 December 2023.

The Board considers that the loss was primarily attributable to (i) the decrease in revenue from the cold storage and related services business by approximately 21.8%; and (ii) the decrease in revenue from the trading and sales of food and beverage business in Mainland China by approximately 42.6%, the decrease in revenue as mentioned in (i) and (ii) was mainly resulting from the challenging macroeconomic conditions, thereby weakening the demand for the Group's products and services; and (iii) the absence of one-off gain from the disposal of a subsidiary recorded in 2023.

REVIEW OF OPERATING SEGMENTS

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

<u>Cold storage and logistics</u>

The Group's principal source of income stems from operating the cold storage business and related activities. This includes offering a range of ancillary services, such as transportation, distribution, container hauling and devanning, packaging, and logistics services to customers in this segment.

During 2024, the persistent trend of traveling to Mainland China and overseas countries has been unabated. 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. Despite this unfavorable trend, the Group maintained its cold storage and logistics operations at a reduced pace during 2024, compared to the corresponding period of last year, thanks to improved operating efficiency and cost saving strategies.

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 utilisation of the Kwai Hei Street warehouse and generates significant cost savings, starting from the second half of the year.

Additionally, to optimise operational resources, the Group replaced its inefficient workforce, contributing to further cost reductions and efficiency improvements.

In light of this situation, the management is cautiously optimistic and has sought to diversify its customer base in order to maintain and attract demand usage for warehouse storage and logistics services. Through various internal restructuring and resource allocation, the Group aims to focus on its core business with the view to manage foreseeable market rebounds and to achieve sustainable corporate growth in the long run.

The grocery distributors, supermarkets, frozen-food outlets and restaurants sectors continued to be our primary sources of customers. In response to the market demand from these sectors, the Group has enhanced operational 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 standards. We will continue to uphold 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.

During the first half of 2024, 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. Consequently, we adjusted prices with a higher rate to some selected customers thereupon. However, to retain customers, we also lowered the rates for several customers during the second half of the 2024 for a return of higher volumes. The management is also expecting an increase in business volume from customers who enjoyed unadjusted and lower rates.

The reconstruction of part of the Kwai Hei Street warehouse has been completed during the second half of the 2024. The facility is converted from a bonded warehouse into a cold storage warehouse. As a result, the warehouse now has increased cold storage capacity to better support the Group's higher-margin cold storage business.

The logistics business, which primarily 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 network of supermarkets, convenient stores and distributors in Mainland China. To optimise revenue under this business segment, the Group focuses on developing higher margin wholesale channels.

Anticipating a continued decrease in consumer demand during the year 2024, the Group undertook a continuous review and assessment of its existing wholesale channels and product portfolio. Consequently, the Group ceased certain unprofitable distribution channels and products while building up moderate margin offerings, targeting the bigger mass consumers, particularly by expanding its network of major convenience store partners.

The Group responded swiftly and implemented stringent cost control measures; therefore, only a slight loss was recorded for this business. Through these strategies, the Group successfully maintained good relationships with reputable supermarket brands while also developing its convenience store network smoothly during 2024.

We remain committed to enriching our product mix by identifying new products that align with market demand. Recently, we successfully negotiated partnerships with ice cream brands, which will allow us to introduce high-quality ice cream products to our portfolio. To maximise sales, we have adopted a high-volume and moderate-margin strategy for the ice cream line, aiming to attract a larger customer base through competitive pricing while maintaining profitability through increased sales volume.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

For details of financial risk are set out in "Going concern" section in note 1 to the consolidated financial statements of this announcement.

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 US-China trade dispute and the uncertain economy in Mainland China and Hong Kong.

The Group recognises 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 property that could compromise our storage capacity, efficiency and business growth. To safeguard the continuous performance of our operations, we enacted financial prudence to safeguard the continual performance of our operation by reducing operating expense, coping with narrowing profit but rapid turnover, and conserving internal resources to counter any negative impact from the macroeconomic environment.

With the trend of travelling in Mainland China and oversea countries and consumption power, the spending power of Hong Kong citizens has been redirected outside Hong Kong, adversely affecting on the local demand of frozen food from F&B catering industry. As our cold storage business is highly related to the domestic market, the Group is experiencing the unfavorable decline on the demand of frozen food.

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 closely monitor the macroeconomic conditions closely and are ready to realign our strategies and direction swiftly. Buffering the Group from market risks also requires us to 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

With support from the Hong Kong Government, the resume of economic activities, such as plans to attract talents and tourists, had stimulated consumer spending in the domestic market. According to the Census and Statistics Department of the Hong Kong Government, GDP increased by 2.5% in 2024, compared with the increase of 3.2% in 2023. However, the volume index of restaurant receipts for 2024 decreased by 2.4%, 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.

With the gradual cooling of the trend of traveling to Mainland China, coupled with the implementation of the multi-entry permit policy for visitors, the management expects resurgence in demand for frozen food in F&B industry in Hong Kong. The Group will continue to actively pursue new opportunities within the cold storage and logistics business sector and reach out to more operators of supermarkets and frozen-food outlets. 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 increased 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.

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

Additionally, we are discussing cooperating strategies with some suitable strategic partners to establish a joint venture. This partnership is anticipated to fuel the overall development of the Group.

<u>Trading and sales of food and beverage products</u>
The Group anticipates the restoration of profitability of our food and beverage distribution operations in Mainland China, driven by our strategy of developing diversified wholesale channels and enriched product mix. 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 higher-margin wholesale channels. Additionally, the newly introduced high-volume and moderate-margin ice cream line would also help us regain profitability.

We will maintain our presence in the supermarket chain channel while also exploring the mass network of convenience stores. Resources would be invested in the ice cream business and other innovative products to drive market growth. Furthermore, we will persist in our strategy of sourcing suitable high-margin foreign products for trade in Mainland China, while also identifying appropriate Mainland China-made products to trade in Hong Kong. This diversified approach aims to achieve further profitability.

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

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 set out in the Business Review and the Environmental, Social and Governance Report sections in the Annual Report.

Our goal is to become the most trusted and efficient cold-chain infrastructure service provider in Hong Kong. We aim 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 values – reliability, safety, service excellence, and collaboration – guides us in achieving this goal.

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

We assess our culture through indicators such as staff turnover rate, whistleblowing data, feedback from our stakeholders obtained via various methods (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 behaviors 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 as and when necessary. We also hold routine meetings 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.

In addition to these communication means, we have implemented whistleblowing channels with involvement of Independent Nonexecutive 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 opinions and concerns of our Group. We also welcome enquiries from stakeholders through an enquiry channel published on the Company's website. All identified 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 Annual Report.

We provide 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 Annual Report. The Company's values and culture (including expected behaviors) 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. 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 align the mindset of achievability that the executives and employees.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2024	2023 (Restated)
(Loss) Earnings per share – basic and diluted	HK$ cents	**(13.87)**	2.02
Net (liabilities) assets per share attributable to equity holders of the Company	HK$ cents	**(7.88)**	6.11
Current ratio	times	**0.51**	0.86
Total liabilities to total assets ratio	times	**1.04**	0.93
Gearing ratio	%	**-43.7**	197.4
Return on equity ratio	%	**175.9**	33.1
Return on assets	%	**-6.8**	2.3
Assets turnover ratio	times	**0.52**	1.15

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2024, the Group had bank and cash balances of approximately HK$59.8 million *(2023: approximately HK$62.0 million)*, which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$") as to approximately 92.1%, 7.9% and nil *(2023: approximately 73.5%, 10.0% and 16.5%)*, respectively. The decrease was mainly due to decrease in cash generated from operations.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over total (deficit) equity was approximately -43.7% as at 31 December 2024 *(2023: approximately 197.4% (restated))*. Such decrease was primarily attributable to the total equity of the Group decreased from approximately HK$17.7 million (restated) as at 31 December 2023 to total deficit approximately HK$22.9 million as at 31 December 2024.

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 "Original Bonds"). The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds.

During the year ended 31 December 2023, the Company agreed to issue the bonds (the "2023 Bonds") and bondholders have agreed to accept the 2023 Bonds in place of the Original Bonds in the principal amount of HK$40 million. During the year ended 31 December 2024, the Company agreed to issue the bonds (the "2024 Bonds") and bondholders have agreed to accept the 2024 Bonds in place of the Original Bonds in the principal amount of HK$60 million.

During the year ended 31 December 2024, certain of the 2023 Bonds and 2024 Bonds with total principal amount of HK$50 million were matured and the Company has settled in the principal amount of HK$15 million; and for the remaining of HK$35 million of the matured bonds, the Company has obtained consent in writing from the bondholders to extend the maturity date of that bonds for 3 months to one year.

As at 31 December 2024, the aggregate principal amount of bonds remaining outstanding was HK$85 million *(2023: HK$100 million)*. As at 31 December 2024, bonds with principal amount of HK$75 million *(2023: HK$100 million)* will mature within twelve months from the end of the reporting period and was classified as current liabilities; bond with principal amount of HK$10 million *(2023: Nil)* will mature over one year from the end of the reporting period and was classified as non-current liabilities.

As at 31 December 2024, the Group had a bank borrowing of HK$35 million *(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 year ended 31 December 2024, 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 2024, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure
As at 31 December 2024, the total issued share capital of the Company was HK$2,901,104 *(2023: HK$2,901,104)* divided into 290,110,400 ordinary shares *(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
The Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures which is same as the corresponding period of last year.

Charges on assets
As at 31 December 2024, a bank provides the Group with banking facilities which represented guarantees provided in favour of the Group's cold storage business to the extent of HK$3.5 million *(2023: HK$3.5 million)* and are secured by bank deposits amounting to HK$1.7 million *(2023: HK$1.7 million)*. As at 31 December 2024, the utilised banking facilities in this regard was approximately HK$1.4 million *(2023: approximately HK$1.4 million)*.

As at 31 December 2024, the lease liabilities of the Group's cold storage warehouse were secured or guaranteed by the cash deposit, corporate guarantee provided by the Company, floating charges and share charges provided by subsidiaries of the Group, which are aggregately in approximately HK$107 million *(2023: approximately HK$93.5 million)*.

At 31 December 2024, the carrying amount of motor vehicles of approximately HK$0.7 million *(2023: approximately HK$0.5 million)* were pledged as the lessors' charge over the leased assets to secure the lease liabilities of approximately HK$0.7 million *(2023: approximately HK$0.5 million)* and such lease liabilities were also secured by the personal guarantee provided by one of the directors of the Company.

Future plans for material investments or capital assets
As at 31 December 2024, the Group did not have any concrete future plans for material investments or capital assets.

Contingent liabilities
As at 31 December 2024, the Group did not have any contingent liabilities *(2023: Nil)*.

EMPLOYMENT AND REMUNERATION POLICY
As at 31 December 2024, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 150 and 30, respectively *(2023: approximately 170 Hong Kong employees; 30 Mainland China employees)*. Total staff related costs for the year ended 31 December 2024 amounted to approximately HK$63,573,000 *(2023: approximately HK$62,784,000 (restated))*. 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 2024 *(2023: 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 in Appendix C1 (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 2024, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan and Mr. Cheung Hoi Kin acted as Acting Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Fung Pak Kei acted as Chief Operating Officer until he has been appointed and re-designated from Chief Operating Officer to Chief Executive Officer of the Group on 22 February 2024. 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 2024, 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 2024, 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.

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 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 year ended 31 December 2024. No incident of noncompliance was noted by the Company during the year ended 31 December 2024.

Audit Committee
The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Leung Chi Hung (Chairman), Mr. Lo Chi Wang 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 FORVIS MAZARS CPA LIMITED

The figures in respect of the Group'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 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, Forvis Mazars CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Forvis Mazars CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Forvis Mazars CPA Limited on the preliminary announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Forvis Mazars CPA Limited was engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2024:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to the "Going concern" section in Note 3 to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. The Group incurred net loss of approximately HK$40,228,000 for the year ended 31 December 2024 and, as at that date, the Group had net current liabilities of approximately HK$88,556,000 and net liabilities of approximately HK$22,875,000, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company (the "Directors"), having considered the measures being taken by the Group, are of the opinion that the Group would be able to continue as a going concern. Our opinion is not modified in respect of this matter.

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 2024 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. Fung Pak Kei and Mr. Ho Hon Chung, Ivan; non-executive directors, namely, Mr. Au Tat Wai, Mr. Fung Wa Ko and Ms. Kwan Nga Chung; 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
Ho Hon Chung, Ivan
Executive Director

Hong Kong, 28 March 2025