DAIDO GROUP LIMITED
大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2019

The board of directors (the ''Board'') of Daido Group Limited (the ''Company'') is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the ''Group'') for the year ended 31st December, 2019, together with the comparative figures for the corresponding period in 2018 as follows:

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31st December, 2019 has not been completed.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	NOTES	**2019**	2018
		HK$'000	HK$'000
		(unaudited)	(audited)
Revenue	2		
- Provision of cold storage and related services		**191,983**	224,567
- Trading of food and beverage		**95,044**	75,076
- Interest income from money lending services		**2,588**	9,603
Total revenue		**289,615**	309,246
Direct costs		**(239,097)**	(263,900)
Gross profit		**50,518**	45,346
Other income	3	**5,980**	1,786
Other gains and losses	4	**(469)**	(6,458)
Impairment losses under expected credit loss model, net of reversal		**(373)**	(1,355)
Selling and distribution expenses		**(20,819)**	(17,654)
Administrative expenses		**(49,166)**	(44,813)
Share of loss of an associate		**(21,954)**	(8,021)
Finance costs	5	**(23,355)**	(6,765)

* *For identification purpose only*

	NOTES	**2019** **HK$'000** **(unaudited)**	2018 HK$'000 (audited)
Loss before tax		**(59,638)**	(37,934)
Taxation	6	**-**	-
Loss for the year		**(59,638)**	(37,934)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(454)**	(596)
Total comprehensive expense for the year		**(60,092)**	(38,530)
Loss for the year attributable to:			
Owners of the Company		**(59,638)**	(37,934)
Non-controlling interests		**-**	-
		(59,638)	(37,934)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(60,092)**	(38,530)
Non-controlling interests		**-**	-
		(60,092)	(38,530)
Loss per share – basic	8	**(HK2.45 cents)**	(HK1.56 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2019

	NOTES	**2019 HK$'000 (unaudited)**	2018 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**10,374**	4,876
Right-of-use assets		**264,329**	-
Goodwill		**68**	68
Interest in an associate		**11,572**	10,998
Loan to an associate		**39,255**	47,525
Financial assets at fair value through profit and loss ("FVTPL")		**686**	731
Equity instrument at fair value through other comprehensive income ("FVTOCI")		**-**	-
Rental deposits paid		**14,901**	25,488
Pledged bank deposits		**65,568**	105,353
Loan receivables	9	**-**	28,000
		406,753	223,039
Current Assets			
Inventories		**2,715**	1,207
Trade and other receivables, deposits and prepayments	10	**55,474**	74,873
Amount due from an associate		**8,077**	-
Loan receivables	9	**1,975**	40,464
Bank balances and cash		**117,966**	55,898
		186,207	172,442
Current Liabilities			
Trade and other payables	11	**23,209**	29,365
Contract liabilities		**4,894**	7,530
Bank borrowing		**65,000**	65,000
Lease liabilities		**63,475**	-
Obligations under finance leases		**-**	203
		156,578	102,098
Net Current Assets		**29,629**	70,344
Total Assets less Current Liabilities		**436,382**	293,383

	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Capital And Reserves		
Share capital	**24,323**	24,323
Share premium and reserves	**96,736**	157,331
Equity attributable to owners of the Company	**121,059**	181,654
Non-controlling interests	**3,163**	5,163
	124,222	186,817
Non-current Liabilities		
Lease liabilities	**205,435**	-
Derivative financial instruments	**6,725**	6,478
Obligations under finance leases	**-**	88
Bonds	**100,000**	100,000
	312,160	106,566
	436,382	293,383

1. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as “the Group”) have applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and an interpretation in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 *Leases*

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement date, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity) and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 4.63%.

	NOTE	At 1st January, 2019 HK$'000 (unaudited)
Operating lease commitments disclosed as at 31st December, 2018		344,053
Lease liabilities discounted at relevant incremental borrowing rates and relating to operating leases recognised upon application of HKFRS 16 as at 1st January, 2019		314,463
Add: Obligations under finance leases recognised at 31st December, 2018	(a)	291
Lease liabilities as at 1st January, 2019 (unaudited)		314,754
Analysed as		
Current		65,550
Non-current		249,204
		314,754

The carrying amount of right-of-use assets for own use as at 1st January, 2019 comprises the following:

	NOTES	Right-of-use assets HK$'000 (unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		306,492
Amounts included in property, plant and equipment as at 31st December, 2018 under HKAS 17		
- Assets previously under finance leases	(a)	393
Adjustments on rental deposits paid	(b)	3,336
		310,221
Analysed as		
Cold storage warehouses		307,870
Offices		1,958
Motor vehicles		393
		310,221

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1st January, 2019 amounting to HK$393,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$203,000 and HK$88,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019.

(b) The Group elected to measure the right-of use assets at its carrying amount as if HKFRS 16 has been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application. Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under "rental deposits paid" and "trade and other receivables, deposits and prepayments". Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$3,317,000 and HK$19,000 were adjusted from non-current rental deposits paid and current rental deposits paid as include in trade and other receivables, deposits and prepayments, respectively to right-of-use assets as at 1st January, 2019.

(c) The net effects arising from the initial application of HKFRS 16 resulted in a decrease in the carrying amounts of interest in an associate of HK$532,000 with corresponding adjustments to accumulated losses relevant to the difference arising from recognition of lease liabilities and right-of-use assets of the associate.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses and translation reserve at 1st January, 2019.

	Impact of adopting HKFRS 16 at 1st January, 2019 HK$'000 (unaudited)
Accumulated losses	
Difference arising from recognition of lease liabilities and right-of-use assets of the Group	7,986
Decrease in interest in an associate arising from recognition of lease liabilities and right-of-use assets of the associate	532
Impact at 1st January, 2019	8,518

	Impact of adopting HKFRS 16 at 1st January, 2019 HK$'000 (unaudited)
Translation reserve	
Difference arising from recognition of lease liabilities And right-of-use assets of the Group and impact at 1st January, 2019	(15)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	NOTES	Carrying amounts previously reported at 31st December, 2018 HK$'000 (audited)	Adjustments HK$'000 (unaudited)	Carrying amounts under HKFRS 16 at1st January, 2019 HK$'000 (unaudited)
Non-current Assets				
Property, plant and equipment	(a)	4,876	(393)	4,483
Right-of-use assets		-	310,221	310,221
Interest in an associate	(c)	10,998	(532)	10,466
Rental deposits paid	(b)	25,488	(3,317)	22,171
Current Assets				
Trade and other receivables, deposits and prepayments	(b)	74,873	(19)	74,854
Capital and Reserves				
Share premium and reserves		157,331	(8,503)	148,828
Current Liabilities				
Lease liabilities	(a)	-	65,550	65,550
Obligations under finance leases	(a)	203	(203)	-
Non-current Liabilities				
Lease liabilities	(a)	-	249,204	249,204
Obligations under finance leases	(a)	88	(88)	-

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies HKFRS 9 Financial Instruments ("HKFRS 9"), including the impairment requirements, to long-term interests in an associate to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

As at 31st December, 2019, amounts due from associates of HK$39,255,000 are considered as long-term interests that, in substance form part of the Group's net investments in the relevant associates. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

2. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the year ended 31st December, 2019			For the year ended 31st December, 2018		
	Cold storage and related service segment HK$'000 (unaudited)	**Trading of food and beverage segment HK$'000 (unaudited)**	**Total HK$'000 (unaudited)**	Cold storage and related service segment HK$'000 (audited)	Trading of food and beverage segment HK$'000 (audited)	Total HK$'000 (audited)
Types of goods or services						
Revenue from provision of cold storage and related services						
Cold storage	**130,955**	**-**	**130,955**	171,042	-	171,042
Loading and handling services	**6,848**	**-**	**6,848**	9,522	-	9,522
Logistic and packing services	**46,774**	**-**	**46,774**	43,807	-	43,807
Manufacturing and trading of ice	**-**	**-**	**-**	196	-	196
Management income	**7,406**	**-**	**7,406**	-	-	-
	191,983	**-**	**191,983**	224,567	-	224,567
Revenue from trading of food and beverage	**-**	**95,044**	**95,044**	-	75,076	75,076
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643
Geographical markets						
Mainland China	**-**	**95,044**	**95,044**	-	75,076	75,076
Hong Kong	**191,983**	**-**	**191,983**	224,567	-	224,567
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643
Timing of revenue recognition						
A point in time	**-**	**95,044**	**95,044**	196	75,076	75,272
Over time	**191,983**	**-**	**191,983**	224,371	-	224,371
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643

Performance obligations for contracts with customers

Cold storage, loading and handling, logistic and packing services, and management income

Cold storage, loading and handling, logistic and packing services, and management income are considered to be a distinct service as they are regularly supplied by the Group to customers and the associate on a stand-alone basis and is available for customers and the associate from other providers in the market. Revenue relating to these services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

With the provision these services are at a period of one year or less, as permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

Manufacturing and trade of ice and trading of food and beverage

The Group sells ice and food and beverage directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon delivery.

Segment information

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

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Trading of food and beverage in the People's Republic of China ("PRC") ("Trading of food and beverage")

3. Money lending services in Hong Kong ("Money lending services")

Segments revenues and results

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

2019

	Cold storage and related services HK$'000 (unaudited)	**Trading of food and beverage HK$'000 (unaudited)**	**Money lending services HK$'000 (unaudited)**	**Total HK$'000 (unaudited)**
Revenue	**191,983**	**95,044**	**2,588**	**289,615**
Segment (loss) profit	**(30,676)**	**(11,796)**	**475**	**(41,997)**
Unallocated income				**1,015**
Unallocated expenses				**(13,824)**
Change in fair value of financial assets at FVTPL				**(45)**
Finance costs				**(4,787)**
Loss before tax				**(59,638)**

2018

	Cold storage and related services HK$'000 (audited)	Trading of food and beverage HK$'000 (audited)	Money lending services HK$'000 (audited)	Total HK$'000 (audited)
Revenue	224,567	75,076	9,603	309,246
Segment (loss) profit	(12,029)	(13,053)	2,626	(22,456)
Unallocated income				1,039
Unallocated expenses				(15,072)
Change in fair value of financial assets at FVTPL				(171)
Finance costs				(1,274)
Loss before tax				(37,934)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs that mainly include partly auditor's remuneration, rental expenses and directors' remuneration, change in fair value of financial assets at FVTPL and certain finance costs. This is the measure reported to the chief operating decision makers, for the purposes of resource allocation and performance assessment.

3. OTHER INCOME

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Government subsidy	**3**	338
Imputed interest income on loan to an associate	**3,833**	281
Imputed interest income on rental deposits paid	**758**	-
Interest income from bank deposits	**1,008**	972
Sundry income	**378**	195
	5,980	1,786

4. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Change in fair value of derivative financial instruments	**(247)**	(6,478)
Change in fair value of financial assets at FVTPL	**(45)**	(171)
(Loss) gain on disposal of property, plant and equipment	**(177)**	191
	(469)	(6,458)

5. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Interest expense on bank borrowing	**4,591**	748
Interest expense on bonds	**6,000**	6,000
Interest expense on lease liabilities	**12,764**	-
Interest expense on obligations under finance leases	**-**	17
	23,355	6,765

6. TAXATION

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for Hong Kong Profits Tax and EIT has been made as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profit for both years presented.

7. DIVIDEND

No interim dividend was paid during the year (2018: nil), nor has any dividend been proposed since the end of the reporting period (2018: nil).

8. LOSS PER SHARE

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

	2019 **HK$'000** **(unaudited)**	2018 HK$'000 (audited)
Loss		
Loss for the purpose of basic loss per share, attributable to owners of the Company	**59,638**	37,934
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,432,304**	2,432,304

No diluted loss per share is presented as there were no potential ordinary shares in issue for years ended 31st December, 2019 and 31st December, 2018.

9. LOAN RECEIVABLES

	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Loan receivables	**2,840**	69,313
Less: Allowance for credit loss	**(865)**	(849)
	1,975	68,464
Secured loans (Note)	**-**	65,973
Unsecured loans	**1,975**	2,491
	1,975	68,464
Less: Amount due within one year and classified under current assets	**(1,975)**	(40,464)
Amount due after one year	**-**	28,000

Note: At 31st December, 2018,

(i) the Group hold collateral of some property interests located in Hong Kong over secured loan receivables of HK$46,461,000. The directors of the Company considered the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, was insignificant, as the fair value of the collateral (property interests) was higher than the outstanding amount of these receivables. Such loan is fully repaid in the current year; and

(ii) the Group hold collateral of some equity interests in unlisted companies for secured loan receivables of HK$19,512,000 which is fully repaid in the current year.

As at 31st December, 2019 and 2018, unsecured loan receivables carry fixed-rate interests ranged from 11% to 12% per annum and with maturity ranged from 6 months to 2.5 years. At 31st December, 2018, secured loan receivables carried fixed-rate interests ranged from 11% to 24% per annum and with maturity ranging from 5 months to 4 years. All amounts of principal will be receivable on respective maturity dates.

The maturity dates of the Group's fixed-rate loan receivables before net of allowance of credit loss are as follows:

	2019 HK$'000 (unaudited)	2018 HK$'000 (audited)
Within one year	**2,840**	41,313
In more than one year but not more than two years	**-**	10,000
In more than two years but not more than five years	**-**	18,000
	2,840	69,313

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

At 31st December, 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$340,000 (2018: nil) which are past due as at the reporting date, of which HK$340,000 (2018: nil) has been past due more than 30 days but less than 90 days. The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount.

As at 31st December, 2019, included in the carrying amount of loan receivables is accumulated impairment losses of HK$865,000 (2018: HK$849,000).

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade receivables	**51,200**	67,929
Less: Allowance for credit loss	**(863)**	(506)
	50,337	67,423
Other receivables	**1,004**	1,090
Deposits and prepayments	**4,133**	6,360
	55,474	74,873

As at 1st January, 2018, trading receivables from contracts with customers amounted to HK$53,018,000.

The following is an aged analysis of trade receivables (net of allowance for credit loss) presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates.

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
0 to 30 days	**20,897**	24,926
31 to 60 days	**17,413**	20,010
61 to 90 days	**6,468**	10,446
91 to 120 days	**2,477**	6,168
More than 120 days	**3,082**	5,873
	50,337	67,423

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

As at 31st December, 2019, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$31,215,000 (2018: HK$45,655,000 which are past due at the reporting date. Out of the past due balances, HK$3,294,000 (2018: HK$3,290,000 has been past due 90 days or more and is not considered as in default as the default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. The Group does not hold any collateral over these balances.

The Group's other receivables balance mainly includes interest income receivables from deposits in banks and advances to employees for daily operations in which the directors of the Company consider that the allowance for credit losses for other receivables is insignificant to the Group.

11. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
Trade payables	**10,911**	13,484
Accrued staff costs	**4,920**	5,012
Bond interest payable	**2,992**	2,992
Other payables, deposits received and accrued charges	**4,386**	7,877
	23,209	29,365

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

	2019	2018
	HK$'000	HK$'000
	(unaudited)	(audited)
0 to 30 days	**2,271**	7,626
31 to 60 days	**889**	2,479
61to 90 days	**6,953**	629
91 to 120 days	**470**	2,103
More than 120 days	**328**	647
	10,911	13,484

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2019, the Group's total revenue amounted to approximately HK$290 million as compared to approximately HK$309 million from the preceding year.

During the period of review, the Group recorded a loss of approximately HK$60 million, compared to the loss of approximately HK$38 million recorded in the year ended 31st December, 2018, equivalent to an increase of about 58%.

The Board considers that the expected increase in loss is primarily attributable to a share of loss of an associate and the operating loss incurred in the operation of a new warehouse.

REVIEW OF OPERATING SEGMENTS

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

Cold storage and related business

The Group derives its principal source of income from operating a cold storage business and its related activities. To support customers of this core segment more comprehensively, it also offers transportation and distribution, container hauling and devanning, packaging and logistics services.

Though operating initially at a loss in 2019, the new bonded warehouse run by the Group in Kwai Chung Container Terminal has seen its performance improving in 2020. This facility is used to store primarily alcohol and tobacco before full duty payment. As the cold-storage warehouses in the neighborhood were fully occupied, the Group started to operate another warehouse in the Tsing Yi District, through a Joint Venture ("JV") Agreement and Management Service Agreement, with effect from April 2019. The fully-staffed warehouse is still operating at an infancy stage. Under the new account reporting standard, the facility's depreciation is counted as an operating expense. Considering the lease's tenure of 25 years, this will dampen the Group's operation balance with a higher depreciation impact and may affect the segment's performance in this initial stage. However, the Group is optimistic that the JV is capable of growing the business continually and improving its operational efficiency to bring in promising returns.

The Group's logistics arm, established to serve customers of its cold storage segment, experienced a stable business performance during the period under review. But the services rendered by this setup are only minimal due to the high operation cost of delivering goods to scattered locations across Hong Kong.

Trading and related business

The Group distributes a growing range of food products, snacks and beverages to supermarkets and convenient stores in the PRC. In 2019, it completed an internal restructuring exercise to improve operation efficiency and profitability across its distribution network. The Group mainly distributed imported dairy products but with the revamp, its product spread, which includes popular Australian-made fresh milk and locally branded juice beverages, has been broadened to capture changing consumer preferences in the PRC. This move has improved the segment's profit margin.

Money lending business

The Group established a money lending segment years ago in support of its cold storage customers who may require credit facilities from time to time. Though still available, the service has been slowed down to focus more resources on expanding the Group's cold storage and trading and related operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has conducted a detailed risk assessment and identified mitigation actions for each significant risk, in order to safeguard its business prospects, financial position, growth potential as well as commercial viability and sustainability.

A move has been made to diversify the Group's business portfolio strategically by spreading out its operational and commercial risks. However, care is taken to ensure that a fine balance between diversification and profitability is maintained. To this end, the Group has cautiously implemented cost saving measures and reallocated resources to grow its more promising segments. This strategy is calculated to minimise the Group's exposure to market volatility risks, brought on by the unpredictable macroenvironment, marked by the ongoing coronavirus pandemic, US-China trade conflicts and deepening economic crisis across Hong Kong and the PRC.

As an entrepot and intermediary trade centre, Hong Kong is vulnerable to political and economic headwinds impacting the city's catering industry. In view of this external risk, the Group remains vigilant against softer demand for its products and services that could affect its business performance and key source of income. There is also the risk of long-term depreciation on the Group's warehouse facilities, with possible repercussions on storage capacity and business growth. The Group has applied financial prudence to prevent erosion in the performance of its logistics segment, which shares a similar customer base with the warehousing segment. Risk control measures taken include cutting operating expenses and conserving internal resources where possible, to cushion the impact of the macroeconomic conditions.

The Group realises that the demand for imported fast moving consumer products, such as those distributed in its trading business in the PRC, is highly dependent on how the domestic economy performs and local consumer sentiments. To contain any possible market risk, the Group has proceeded to cut operating expenses for its trading business on the one hand and enhances its efficiency on the other.

With downside risks looming and uncertainties rife, the Group has made a number of critical decisions to circumvent them, such as:

- Improving the business performance and operational efficiency of the JV cold-storage facility in Tsing Yi district progressively

- Completing the operational revamp for the Group's trading business, including the expansion of its product offerings and distribution network

Subject to adjustment as the situation evolves, the policy decisions outlined above underline a commitment to improving the Group's risk management framework, capabilities and culture to ensure its long-term growth and sustainability.

PROSPECTS

The Group takes a bleak view of the economic situation in Hong Kong. Weakened by months of the coronavirus outbreak and extensive street protests, the city's economy is forecast to contract more than 1% in 2020, following a 1.2% decline last year. GDP tumbled 2.9% in year-on-year terms in the fourth quarter, following Q3's revised 2.8% decline. Moreover, business sentiment nosedived. According to Financial Secretary Paul Chan, Hong Kong's unemployment rate, which has already risen to 3.5% (the highest level since 2016), may deteriorate rapidly. Average visitor arrivals have also fallen to fewer than 3,000 a day in early 2020.

China's economic growth may drop to 5% or even lower due to coronavirus outbreak, as a government economist suggested. Industries like tourism, transportation, offline retail, and entertainment sectors face the biggest slowdown.

Even though the macroeconomic developments are likely to affect the Group in the immediate period, the management remains cautiously optimistic about its long-term performance. The efforts made to streamline its business model by focusing on the core segments of cold warehousing and trading will position the Group for rapid growth upon economic recovery.

Cold storage and related business

Hong Kong's cold-storage business is considered recession-proof. Over 90% of its total food supplies are imported with the need for fresh foodstuff to be kept in refrigerated conditions before being distributed for retail. The Group remains confident in the long-term outlook of this segment as most products stored in its temperature-controlled warehouses are daily edibles. However, the current coronavirus pandemic has caused a number of local restaurants and eateries to close down, to the detriment of the cold-storage industry. Because of the weak market conditions, the Group is unable to increase its service and rental fees to make up for the losses from its facilities and expects a decline in revenue. Despite the gloomy economic environment, the new bonded warehouse that the Group has been operating since 2019 caters to the luxury market for alcohol and tobacco, which is affected by the slowdown to a lesser extent. In fact, its bonded warehouse business has improved after its operational structure was overhauled last year.

Trading and related business

The Group's strategy to enhance value and profitability in this segment focuses on expanding its portfolio and diversifying product mix. In addition to milk beverage items from South Korea and Australia, it is proactively sourcing snacks and drinks from other parts of the Asia along with popular brands in the PRC. With the successful completion of the segment's restructuring last year, the Group plans to put a more pronounced focus on sales development while studying the feasibility of extending its wholesale distribution network to Hong Kong.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

Both the cold storage and trading segments have provided considerable momentum for the Group's growth. Taking their development to another level, consistent efforts are made to integrate both segments into a one-stop service platform that combines cold warehousing with the trading of food and beverage products.

The Group will leverage its professional experience and knowledge in cold storage and logistics management to expand its new JV operation. Aside from striving for greater operational excellence, we also aim for a higher retention rate of our quality clients and a higher business turnover. As always, the Group will provide customers with an increasingly comprehensive range of cold storage solutions including temperature-controlled warehousing, backed by quality logistics services such as transportation, distribution, container hauling, devanning and related services.

The Group's main strategy is to pursue sustainable corporate growth. Not only are we dedicated to improving our profit margins, we also endeavor to strengthen our wholesale chain in trading and food distribution by way of different marketing strategies and product mix expansion to engage more consumers.

The Group is progressively changing its business model by expanding our focus from the cold-storage business to warehousing to wholesale trading. Guided by our corporate strategy and long-term business model, we are committed to improving the financial and operational values of all our business segments and spearheading their expansion into the PRC. We would like to convey our gratitude to our shareholders for their firm support, in the commitment to optimise their returns for their investments in our Group.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2019	2018
		(unaudited)	(audited)
Loss per share — basic	HK cents	**(2.45)**	(1.56)
Net assets per share attributable to owners of the Company	HK$	**17.94**	12.06
Current ratio	times	**1.19**	1.69
Total liabilities to total assets ratio	Times	**0.79**	0.53
Gearing Ratio	%	**82.6%#**	55.1%
Return on equity ratio	%	**-49.3%**	-20.9%
Return on assets	%	**-10.1%**	-9.5%
Assets turnover ratio	Times	**0.59**	0.77

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2019, the Group had cash and bank balances of approximately HK$118.0 million (2018: approximately HK$55.9 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 95.3% and 4.7%, respectively. The increase was mainly due to decrease in loan receivables, release of one pledged bank deposit and the net cash from operating activities.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 82.6%# as at 31st December, 2019 (2018: approximately 55.1%). The increase of the gearing ratio was because of the drop of the equity attributable to owners of the Company. (# Excluded derivative financial instruments and lease liabilities)

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 31st December, 2019, it is noted that the bonds in an aggregate principal amount of HK$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31st December, 2018.

As at 31st December, 2019, the Group had a bank loan of HK$65 million (2018: HK$65 million) denominated in HK$. The Group's bank borrowing interest rate is at 7% per annum and the maturity of borrowing is up to April 2020. The banking facility was fully utilised, which is the same as those as at 31st December, 2018.

During the year under review, the Group's capital expenditure was mainly financed by finance leases, internal resources and bank borrowing.

Treasury policies

The Group adopts conservative treasury policies and has tight controls over its cash management. The Group's cash and bank 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 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, 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 31st December, 2019, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures
During the year under review, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. Completion of the JV Agreement has taken place during the year ended 31st December, 2018 in accordance with the terms thereof.

Charges on assets
As at 31st December, 2019, banking facilities, for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3.5 million (2018: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (2018: HK$3.5 million). The amount utilised at 31st December, 2019 was approximately HK$3.5 million (2018: approximately HK$3.5 million).

As at 31st December, 2019, bank deposits of approximately HK$62.1 million (2018: approximately HK$101.9 million) are pledged to a bank, which provides bank guarantee in favour of one landlord for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, within the Group's lease liabilities of HK$268.9 million, approximately HK$0.08 million (2018: approximately HK$0.19 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.3 million (2018: approximately HK$0.6 million).

Future plans for material investments or capital assets
During the year under review, the Group did not have any concrete future plans for material investments or capital assets save for the JV, which is the same as those as at 31st December, 2018.

Contingent liabilities
During the year under review, the Group did not have any contingent liabilities (2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY
As at 31st December, 2019, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 220 and 120 respectively (2018: approximately 230 Hong Kong employees; 80 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December, 2019 (2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

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

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Also, the code provision A.2.7 of the CG Code requirement, the chairman should at least annually hold meetings with the independent non-executive directors without presence of other directors.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2019, Mr. Au Tat Wai, who was the Chief Executive Officer of the Company before 4th June, 2019, was responsible for all day-to-day corporate management matters until his resignation as Chief Executive Officer on 4th June, 2019 and Mr. Ho Hon Chung, Ivan has been responsible for all day-to-day corporate management matters since his appointment as Acting Chief Executive Officer on 4th June, 2019. Mr. Choy Kai Sing, acting as the Chief Financial Officer of the Company, is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2019, 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 code provisions A.2.1 and A.2.7.

According to the code provision E.1.2 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 31st December, 2019, the Company did not comply with code provision E.1.2.

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

Directors' securities transactions

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

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

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

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

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31st December, 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31st December, 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed within April 2020.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The unaudited annual results 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 2019 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the HKExnews and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei; non-executive directors, namely, Mr. Au Tat Wai and Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming.

By Order of the Board
Daido Group Limited
Ho Hon Chung, Ivan
Executive Director

Hong Kong, 31st March, 2020