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## DAIDO GROUP LIMITED

大同集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The Board of Directors (the “Board”) of Daido Group Limited (the “Company”) would like to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020. The interim financial results have been reviewed by the Audit Committee of the Company but have not been reviewed by the auditor of the Company.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3		
– Provision of cold storage and related services		81,914	83,885
– Trading of food and beverage		22,848	51,000
– Interest income from money lending services		144	190
Total revenue		104,906	135,075
Cost of revenue		(97,013)	(120,157)
Gross profit		7,893	14,918
Other income	4	5,343	4,386
Other gains and losses	5	(1,697)	(537)
Selling and distribution expenses		(5,603)	(7,687)
Administrative expenses		(21,092)	(23,239)
Share of loss of an associate		(7,824)	(4,072)
Impairment loss recognised on loan to an associate		(7,500)	-
Finance costs	6	(8,306)	(10,199)
Loss before tax		(38,786)	(26,430)
Taxation	7	(204)	-
Loss for the period	8	(38,990)	(26,430)

\*For identification purpose only

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>217</u>	<u>627</u>
Total comprehensive expense for the period		<u><b>(38,773)</b></u>	<u><b>(25,803)</b></u>
Loss for the period attributable to:			
Owners of the Company		<b>(38,990)</b>	(26,430)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u><b>(38,990)</b></u>	<u><b>(26,430)</b></u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		<b>(38,773)</b>	(25,803)
Non-controlling interests		<u>-</u>	<u>-</u>
		<u><b>(38,773)</b></u>	<u><b>(25,803)</b></u>
Loss per share			
– Basic	<i>10</i>	<b>(HK1.34 cents)</b>	(HK1.09 cents)
– Diluted		<u><b>(HK1.34 cents)</b></u>	<u><b>(HK1.09 cents)</b></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2021*

		As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
<b>Non-current Assets</b>			
Property, plant and equipment		6,228	6,808
Right-of-use assets		161,613	195,873
Intangible asset		234	-
Goodwill		68	68
Interest in an associate		16,192	30,058
Financial assets at fair value through profit or loss ("FVTPL")		505	459
Equity instrument at fair value through other comprehensive income ("FVTOCI")		-	-
Rental deposits paid		15,268	16,613
Pledged bank deposits		<u>66,011</u>	<u>67,785</u>
		<u>266,119</u>	<u>317,664</u>
<b>Current Assets</b>			
Inventories		1,858	850
Trade and other receivables, deposits and prepayments	<i>11</i>	49,785	47,897
Amounts due from an associate		23,864	20,679
Loan receivables	<i>12</i>	1,664	1,664
Bank balances and cash		<u>45,067</u>	<u>69,781</u>
		<u>122,238</u>	<u>140,871</u>
<b>Current Liabilities</b>			
Trade and other payables	<i>13</i>	19,588	19,932
Contract liabilities		5,026	4,865
Bank borrowing		-	35,000
Lease liabilities		65,300	68,022
Tax payable		-	32
Bonds		80,000	40,000
Derivative financial instruments		<u>3,594</u>	<u>1,800</u>
		<u>173,508</u>	<u>169,651</u>
<b>Net Current Liabilities</b>		<u>(51,270)</u>	<u>(28,780)</u>
<b>Total Assets Less Current Liabilities</b>		<u>214,849</u>	<u>288,884</u>

	<b>As at 30 June 2021 HK\$'000 (unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (audited)</b>
<i>Notes</i>		
<b>Capital and Reserves</b>		
Share capital	29,011	29,011
Share premium and reserves	<u>20,672</u>	<u>58,741</u>
Equity attributable to owners of the Company	49,683	87,752
Non-controlling interests	<u>3,163</u>	<u>3,163</u>
	<u>52,846</u>	<u>90,915</u>
<b>Non-current Liabilities</b>		
Bank borrowing	35,000	-
Lease liabilities	107,003	137,969
Bonds	<u>20,000</u>	<u>60,000</u>
	<u>162,003</u>	<u>197,969</u>
	<u>214,849</u>	<u>288,884</u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

**1. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

As at 30 June 2021, the Group has recorded a loss for the period of HK\$38,990,000 and net current liabilities position of HK\$51,270,000. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. Subsequent to the end of the reporting period, the maturity date of two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were extended to November and December 2023. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2021, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months taking into account the bank facilities and internal resources available. The directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

***Application of amendments to HKFRSs***

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

### 3. REVENUE AND SEGMENT INFORMATION

#### Revenue

#### Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2021 (unaudited)			For the six months ended 30 June 2020 (unaudited)		
	Cold storage and related services <u>segment</u> <i>HK\$'000</i>	Trading of food and beverage <u>segment</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>	Cold storage and related services <u>segment</u> <i>HK\$'000</i>	Trading of food and beverage <u>segment</u> <i>HK\$'000</i>	<u>Total</u> <i>HK\$'000</i>
<b>Types of goods or services</b>						
Revenue from provision of cold storage and related services						
Cold storage	58,793	-	58,793	54,372	-	54,372
Loading and handling services	2,739	-	2,739	2,179	-	2,179
Logistic and packing services	14,415	-	14,415	21,849	-	21,849
Management income	5,967	-	5,967	5,485	-	5,485
	<u>81,914</u>	<u>-</u>	<u>81,914</u>	<u>83,885</u>	<u>-</u>	<u>83,885</u>
Revenue from trading of food and beverage	-	22,848	22,848	-	51,000	51,000
<b>Total</b>	<u>81,914</u>	<u>22,848</u>	<u>104,762</u>	<u>83,885</u>	<u>51,000</u>	<u>134,885</u>
<b>Geographical markets</b>						
Mainland China	-	22,799	22,799	-	51,000	51,000
Hong Kong	81,914	49	81,963	83,885	-	83,885
<b>Total</b>	<u>81,914</u>	<u>22,848</u>	<u>104,762</u>	<u>83,885</u>	<u>51,000</u>	<u>134,885</u>
<b>Timing of revenue recognition</b>						
A point in time	-	22,848	22,848	-	51,000	51,000
Over time	81,914	-	81,914	83,885	-	83,885
<b>Total</b>	<u>81,914</u>	<u>22,848</u>	<u>104,762</u>	<u>83,885</u>	<u>51,000</u>	<u>134,885</u>

### 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 types of goods or services delivered or 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 and operating segments under HKFRS 8 *Operating Segments* are as follows:

1. Cold storage and related services in Hong Kong ("Cold storage and related services")
2. Trading of food and beverage in Mainland China and Hong Kong ("Trading of food and beverage")
3. Money lending services in Hong Kong ("Money lending services")

### Segments revenue and results

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

#### For the six months ended 30 June 2021 (unaudited)

	<b>Cold storage and related services <i>HK\$'000</i></b>	<b>Trading of food and beverage <i>HK\$'000</i></b>	<b>Money lending services <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Revenue	<u>81,914</u>	<u>22,848</u>	<u>144</u>	<u>104,906</u>
Segment (loss) profit	<u>(24,134)</u>	<u>(4,256)</u>	<u>116</u>	(28,274)
Unallocated income				146
Unallocated expenses				(7,694)
Change in fair value of financial assets at FVTPL				46
Finance costs				<u>(3,010)</u>
Loss before tax				<u>(38,786)</u>

For the six months ended 30 June 2020 (unaudited)

	Cold storage and related services <i>HK\$'000</i>	Trading of food and beverage <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>83,885</u>	<u>51,000</u>	<u>190</u>	<u>135,075</u>
Segment (loss) profit	<u>(13,976)</u>	<u>(2,131)</u>	<u>89</u>	(16,018)
Unallocated income				939
Unallocated expenses				(8,122)
Change in fair value of financial assets at FVTPL				(278)
Finance costs				<u>(2,951)</u>
Loss before tax				<u>(26,430)</u>

Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, central administration costs (including certain auditor's remuneration, certain depreciation of right-of-use assets and property, plant and equipment and directors' remuneration), 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.

#### 4. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Government subsidy	-	1,902
Imputed interest income on loan to an associate	1,458	1,366
Imputed interest income on rental deposits paid	396	367
Income from usage of machinery	1,095	110
Interest income from bank deposits	127	604
Other service income	2,197	-
Sundry income	<u>70</u>	<u>37</u>
	<u><b>5,343</b></u>	<u><b>4,386</b></u>

#### 5. OTHER GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Change in fair value of derivative financial instruments	(1,794)	(259)
Change in fair value of financial assets at FVTPL	46	(278)
Net foreign exchange gain	<u>51</u>	<u>-</u>
	<u><b>(1,697)</b></u>	<u><b>(537)</b></u>



## 6. FINANCE COSTS

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest expense on bank borrowing	863	1,295
Interest expense on bonds	3,000	3,000
Interest expense on lease liabilities	4,443	5,904
	<u>8,306</u>	<u>10,199</u>

## 7. TAXATION

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
The People's Republic of China (the "PRC") Enterprise Income Tax		
Under provision in prior year	<u>204</u>	<u>-</u>

On 21 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 28 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%.

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

No provision for Hong Kong Profits Tax and PRC Enterprise Income Tax 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 periods.

## 8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of intangible asset	12	-
Depreciation of property, plant and equipment	1,324	1,717
Depreciation of right-of-use assets	<u>34,359</u>	<u>34,470</u>

## 9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2020: Nil). The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: Nil).

## 10. LOSS PER SHARE

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

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (unaudited)
<i>Loss</i>		
Loss for the purposes of basic and diluted loss per share for the period attributable to owners of the Company	<u>(38,990)</u>	<u>(26,430)</u>
<i>Number of shares</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	2,901,104	2,432,304
Effect of dilutive potential ordinary shares: – Share options	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u>2,901,104</u>	<u>2,432,304</u>

The computation of diluted loss per share does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price of shares for the six months ended 30 June 2021.

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

As at 30 June 2021, included in trade and other receivables, deposits and prepayments are trade receivables, net of allowance for credit loss, of HK\$40,196,000 (31 December 2020: HK\$40,967,000).

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

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0 – 30 days	18,064	15,528
31 – 60 days	11,845	9,723
61 – 90 days	4,280	7,775
91 – 120 days	2,067	2,001
More than 120 days	<u>3,940</u>	<u>5,940</u>
	<u>40,196</u>	<u>40,967</u>

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.

## 12. LOAN RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Loan receivables	2,740	2,740
Less: Allowance for credit loss	<u>(1,076)</u>	<u>(1,076)</u>
	<u><b>1,664</b></u>	<u>1,664</u>

As at 30 June 2021 and 31 December 2020, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK\$2,400,000 which carries fixed-rate interests at 12% per annum. On 26 February 2021, the borrower of secured loan has extended the repayment date to 26 August 2021.

## 13. TRADE AND OTHER PAYABLES

As at 30 June 2021, included in trade and other payables are trade payables of HK\$6,374,000 (31 December 2020: HK\$6,451,000).

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

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
0 – 30 days	4,762	4,495
31 – 60 days	1,513	1,776
61 – 90 days	99	110
91 – 120 days	-	17
More than 120 days	<u>-</u>	<u>53</u>
	<u><b>6,374</b></u>	<u>6,451</u>

Except for certain creditors who are allowed 7 to 30 days credit period, no credit period is generally allowed by creditors and no interest is charged on trade creditors.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OVERALL RESULTS**

For the six months ended 30 June 2021, the Group's total revenue amounted to approximately HK\$105 million, representing a decrease of about 22%, compared to approximately HK\$135 million from the same period of last year.

During the current interim period, the Group recorded a loss of approximately HK\$39 million compared to the loss of approximately HK\$26 million for the previous corresponding period.

The Board considers that the increase in the loss is primarily attributable to the decline in the Group's turnover and gross profit margin due to the downturn of the macro economy, the operating loss due to the start-up phase of operation of two new online Business to Customer ("B2C") e-commerce platforms in Mainland China and Hong Kong respectively, and the impairment loss recognised on loan to an associate.

### **REVIEW OF OPERATING SEGMENTS**

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

#### **Cold storage and logistics**

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

As a result of the COVID-19 pandemic and US-China trade tensions, trading activities through Hong Kong were adversely affected in 2020 and had continued in the first half of year 2021, which in turn dampened the warehousing and logistics sector as a whole. On a related matter, we encountered continuous shipment delay causing a deferral of cold-storage income. Follow the introduction of the government rule of limited dine-in hours and number of customers served at each table, the food and beverage ("F&B") catering operators had severely suffered. The F&B catering operators were facing drastic reduction in dine-in activities therefore they were not ordering as much frozen food as they used to. This had adversely affected the Group's cold-storage turnover from its F&B customers. Thus, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services.

The Group has noticed the increasing demand for warehouse storage and logistics service during the pandemic from grocery distributors, supermarkets and frozen-food outlets. In response to the increasing market demand, the Group has initiated conversion of two floors of room temperature storage into cold-storage at Kwai Hei Street warehouse. It is estimated that the newly converted cold-storage floors will commence operation in the third quarter of year 2021.

Having said the above, the Group's revenue strategy was partly offset by the increasing operating costs of the cold-storage and logistics business in times of pandemic. The Group had followed the recommended guidelines issued by the Department of Health of the HKSAR government, and had incurred additional costs on warehouse disinfection and the food package of cold stores at higher level, as well as regular body temperature monitoring for all employees working onsite. We will continue to apply these actions to protect our employees and customers.

There was a slight increase of rental cost imposed by our landlords for the warehouse and cold-storage facilities that the Group operated in during the first two quarters of 2021. However, we had encountered challenges to transfer some of the relevant cost increments to our customers amid the weak economic condition.

The Group also operates a bonded warehouse at Kwai Chung for storage of alcohol and tobacco products. Negatively affected by the COVID-19 pandemic and therefore the intermittent shutdown of the boundary in Macau and Mainland China, the demand of these products had continued to decline during the first two quarters of 2020, resulting in a slower inventory turnover that reduced the warehouse's earnings.

The logistics business that the Group operated to support its warehousing customers has remained stable.

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

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

Due to the pandemic gloom and weaker consumer demand during the review period, stringent cost control measures were implemented to maintain the segment's profitability. The Group ceased certain wholesale channels with lower margins and focused its resources to grow the more profitable ones.

The Group had launched a new B2C business unit with a beverage product named "Attitude Planet" (「態度星球」) in April 2021. It is a brand developed and owned by the Group which mainly produces herbal tea bottled drinks catered to the younger generations. It was operated by riding on our distribution network as well as online and offline distribution channels in Mainland China.

At the same time, a new online B2C e-commerce grocery platform "Urban Mart" (「安品·生活」) has been rolled out in Hong Kong, reaching out to mass retail customers and selling daily products such as meat, seafood and drinks sourced from all around the world. Strategically, Urban Mart 「安品·生活」 is intended to be a content-driven online platform and has engaged reputable and up-and-coming Key Opinion Leaders ("KOLs") to provide our current and potential customers with interactive life and entertainment information through its online shop ([www.myurbanmart.com](http://www.myurbanmart.com)), celebrity talks and live shows. We believe brand building is crucial at the start-up phrase.

### **Money lending**

As a non-core business segment, this segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more profitable segments such as the existing core business segments and potential new business units.

### **PROSPECTS**

Entering 2021, the Hong Kong economy is on the path to recovery, with the improving global economic conditions and receding local epidemic. For the first half of 2021, real GDP grew by 7.8% as compared against the same period from 2020. However, the economic recovery remained uneven as the spread of more infectious COVID-19 variants in many places of the world continues to cast uncertainty over the global economic outlook, whilst other risk factors such as the China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attentions. Locally, the stabilised epidemic situation and the Consumption Voucher Scheme will help stimulate consumer sentiment and provide the much-needed support to consumption-related sectors.

Although exports of goods were robust and surpassed the peak reached in the same period of 2018, tourism industry remained at a standstill due to the pandemic. Consumption-related activities had improved further in the first two quarters of 2021 but were still notably below their pre-pandemic levels. We expect the global pandemic-driven recession will continue this year, but the Group's cold storage and logistics operations in Hong Kong as well as food and beverage distribution operations in Mainland China are expected to gradually recover.

### **Cold storage and logistics**

With the effective classifications of dining areas over the restaurants (A, B, C, and D areas) and the relief of the social distancing measures under the HKSAR the Prevention and Control of Disease Regulation, the F&B sector is on road to recovery and will utilise more warehousing spaces for food storage.

In addition, the launch of the Consumption Voucher Scheme in August 2021 will help stimulate consumer demand and provide much-needed support to consumption-related sectors. We expect there will be continuously strong demand from food retailers and the grocery sectors for food storage spaces.

Since the pandemic is still ongoing, we will continue to diversify our customers base and reach out more operators of supermarket and frozen-food outlets with their stronger need for cold-storage facilities in the pandemic. We had renovated our Kwai Hei Street warehouse and replaced the cooling system with the aims to achieve operational efficiency and to observe environmental protection.

With the vaccination rate in Hong Kong is increasing in view to achieve herd immunity, the Group is expected to emerge from the pandemic-induced recession and is confident our revenue will continue to improve during the second half of 2021.

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

We will continue to conduct internal business restructuring, source quality suppliers and products, replace underperforming products and sales channels, realign our retail prices in tandem with market conditions and keep adjusting our portfolio with the incorporation of high-margin products. To save on expenses, we attempt to explore less costly sales channels without compromising effectiveness such as online channels.

Moving ahead with the digital age, we aim to turn to e-commerce solutions for reaching out to a larger consumer base in both Mainland China and Hong Kong. Our newly launched B2C "Attitude Planet" (「態度星球」) herbal tea product rides on our distribution network as well as online distribution channels in Mainland China. On the other hand, our online B2C ecommerce grocery platform "Urban Mart" (「安品·生活」) is capable of reaching out to mass retail customers.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$45.1 million (31 December 2020: HK\$69.8 million), which was denominated in Hong Kong dollars ("HK\$") and Renminbi ("RMB") as to 55% and 45%, respectively. The decrease was mainly due to payment of interest expense on bonds and net cash used in the operation.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to owners of the Company was approximately 110.7% as at 30 June 2021 (31 December 2020: 68.4%). The increase of the gearing ratio was because of the drop of the equity attributable to owners of the Company.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period commencing from 13 November 2014 and ending on 12 November 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13 November 2014, 26 January and 23 April 2015. As at 30 June 2021, 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 31 December 2020. During the current interim period, the maturity date of two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were extended to February 2024. Subsequent to the end of the reporting period, the maturity date of another two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were also extended to November and December 2023.

As at 30 June 2021, the Group had a bank borrowing of HK\$35 million (31 December 2020: HK\$35 million) denominated in HK\$. The Group's bank borrowing interest rate is at 5% per annum (31 December 2020: 5% per annum) and the maturity of borrowing is up to April 2023 (31 December 2020: April 2021). As at 30 June 2021, the banking facility utilised was HK\$35 million (31 December 2020: HK\$35 million).

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

#### **Treasury policies**

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

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

#### **Share capital structure**

As at 30 June 2021, the total issued share capital of the Company was HK\$29,011,040 divided into 2,901,104,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31 December 2020.

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

During the current interim period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

#### **Charges on assets**

As at 30 June 2021, bank facilities for providing guarantees by a bank in favour of the Group's licence of operating cold storage service, to the extent of HK\$1.7 million (31 December 2020: HK\$3.5 million) are secured by bank deposits amounting to HK\$1.7 million (31 December 2020: HK\$3.5 million). The amount utilised at 30 June 2021 was approximately HK\$1.4 million (31 December 2020: HK\$1.4 million).

As at 30 June 2021, bank deposits of approximately HK\$64.3 million (31 December 2020: HK\$64.3 million) are pledged to a bank, which provides bank guarantee in favour of one landlord for rent payable by the Group under tenancy agreements.

In addition, within the Group's lease liabilities of approximately HK\$172 million (31 December 2020: HK\$206 million), approximately HK\$0.5 million (31 December 2020: HK\$0.6 million) were secured by the lessor's charge over the leased assets with carrying value of approximately HK\$0.5 million (31 December 2020: HK\$0.6 million).

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

During the current interim period, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the new beverage product in Mainland China and the online B2C ecommerce grocery platform in the Hong Kong, which is the same as those as at 31 December 2020.

### **Contingent liabilities**

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: Nil).

## **EMPLOYMENT AND REMUNERATION POLICY**

As at 30 June 2021, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 220 and 50 respectively (30 June 2020: approximately 240 Hong Kong employees; 90 Mainland China employees). Total staff related costs for the six months ended 30 June 2021 amounted to approximately HK\$40,881,000 (six months ended 30 June 2020: approximately HK\$39,552,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy and professional tuition/training subsidy for employees' benefit.

## **INTERIM DIVIDEND**

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## **CORPORATE GOVERNANCE**

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

For the first half of 2021, the Board is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for the exceptions specified and explained below:

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan ("Mr. Ho"), Mr. Fung Pak Kei ("Mr. Fung") and Mr. Cheung Hoi Kin ("Mr. Cheung") acted as Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company respectively. Mr. Ho is responsible for managing the overall corporate management matters; Mr. Fung is responsible for overseeing the administrative and operational functions of businesses and Mr. Cheung is responsible for focusing on corporate financial matters.



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 for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the Period, the Company did not comply with code provision E.1.2 of the CG Code. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 27 May 2021 (the “AGM”). In absence of chairman of Audit Committee, the Board had invited another member of Audit Committee to attend the AGM.

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

### **Model code for securities transactions by Directors**

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

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

### **Audit Committee**

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters including a review of the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 with the Directors. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure has been made.

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

### **Risk management and internal control**

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

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

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

During the six months ended 30 June 2021, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year’s RM and IC systems appraisal plan. The scope of the current fiscal year’s RM and IC systems appraisal plan focuses on reviewing (i) the operating controls of the trading business and related services segment in Mainland China (revenue and receivable cycle; purchase and payable cycle; and human resources cycle); (ii) the compliance risk management control of the Group; (iii) the financial reporting and disclosure control of the Group; and (iv) follow up on the recommendations in the previous year’s report.

During the six months ended 30 June 2021, the Board was satisfied that the Group’s risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group’s RM and IC Systems are inadequate. The existing RM and IC Systems are effective and adequate, and the Board will continue to review, strengthen, or update it in response to changes in the operating environment.

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

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

The 2021 interim report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the HKExnews and the Company in due course.

#### **BOARD OF DIRECTORS**

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

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

Hong Kong, 30 August 2021