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DAIDO GROUP LIMITED
大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

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 31st December, 2021, together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	NOTES	**2021**	2020
		HK$'000	HK$'000 (Restated)
Revenue	2		
- Provision of cold storage and related services		**187,109**	172,844
- Trading of food and beverage		**47,671**	81,492
- Interest income from money lending services		**288**	300
Total revenue		**235,068**	254,636
Cost of revenue		**(198,488)**	(227,211)
Gross profit		**36,580**	27,425
Other income	3	**8,546**	19,621
Other gains and losses	4	**479**	2,805
Impairment losses (recognised) reversed under expected credit loss model		**(1,834)**	526
Selling and distribution expenses		**(15,738)**	(13,804)
Loss on disposal of an associate		**(15,032)**	-
Loss on termination of management service agreement		**(27,242)**	-
Administrative expenses		**(46,938)**	(41,859)
Share of loss of an associate		**(2,885)**	(16,017)
Finance costs	5	**(16,002)**	(19,251)

* *For identification purpose only*

	NOTES	2021 HK$'000	2020 HK$'000 (Restated)
Loss before tax		**(80,066)**	(40,554)
Taxation	6	**(204)**	(30)
Loss for the year		**(80,270)**	(40,584)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**527**	2,027
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**-**	1,228
Other comprehensive income for the year		**527**	3,255
Total comprehensive expense for the year		**(79,743)**	(37,329)
Loss for the year attributable to:			
Owners of the Company		**(80,270)**	(40,584)
Non-controlling interests		**-**	-
		(80,270)	(40,584)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(79,743)**	(37,329)
Non-controlling interests		**-**	-
		(79,743)	(37,329)
Loss per share - basic and diluted	8	**(HK27.7 cents)**	(HK16.2 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Non-current Assets			
Property, plant and equipment		**4,889**	6,808
Intangible asset		**246**	-
Right-of-use assets		**137,180**	195,873
Goodwill		**68**	68
Interest in an associate		**-**	30,058
Financial assets at fair value through profit and loss ("FVTPL")		**-**	459
Equity instrument at fair value through other comprehensive income ("FVTOCI")		**-**	-
Rental deposits paid	9	**47,384**	16,613
Pledged bank deposits		**1,700**	67,785
		191,467	317,664
Current Assets			
Inventories		**2,241**	850
Trade and other receivables, deposits and prepayments	9	**71,065**	47,897
Amounts due from an associate		**-**	20,679
Loan receivables	10	**-**	1,664
Bank balances and cash		**59,919**	69,781
		133,225	140,871
Current Liabilities			
Trade and other payables	11	**22,213**	19,932
Contract liabilities		**8,744**	4,865
Bank borrowing		**-**	35,000
Lease liabilities		**65,943**	68,022
Tax payable		**-**	32
Bonds		**10,000**	40,000
Derivative financial instruments		**-**	1,800
		106,900	169,651
Net Current Assets (Liabilities)		**26,325**	(28,780)
Total Assets Less Current Liabilities		**217,792**	288,884

	2021	2020
	HK$'000	HK$'000
Capital and Reserves		
Share capital	**29,011**	29,011
Share premium and reserves	**(18,379)**	58,741
Equity attributable to owners of the Company	**10,632**	87,752
Non-controlling interests	**3,163**	3,163
	13,795	90,915
Non-current Liabilities		
Bank borrowing	**35,000**	-
Lease liabilities	**78,997**	137,969
Bonds	**90,000**	60,000
	203,997	197,969
	217,792	288,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the International Financial Reporting Standards ("IFRS") Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) [3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

1 Effective for annual periods beginning on or after 1st April, 2021
2 Effective for annual periods beginning on or after 1st January, 2022
3 Effective for annual periods beginning on or after 1st January, 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31st December, 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the year ended 31st December, 2021			For the year ended 31st December, 2020		
	Cold storage and related services segment	**Trading of food and beverage segment**	**Total**	Cold storage and related services segment	Trading of food and beverage segment	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Types of goods or services						
Revenue from provision of cold storage and related services						
Cold storage	**141,973**	**-**	**141,973**	124,923	-	124,923
Loading and handling services	**5,828**	**-**	**5,828**	5,285	-	5,285
Logistic and packing services	**30,454**	**-**	**30,454**	30,861	-	30,861
Management income	**8,854**	**-**	**8,854**	11,775	-	11,775
	187,109	**-**	**187,109**	172,844	-	172,844
Revenue from trading of food and beverage	**-**	**47,671**	**47,671**	-	81,492	81,492
Total	**187,109**	**47,671**	**234,780**	172,844	81,492	254,336
Geographical markets						
The People's Republic of China (the "PRC")	**-**	**47,482**	**47,482**	-	81,492	81,492
Hong Kong	**187,109**	**189**	**187,298**	172,844	-	172,844
Total	**187,109**	**47,671**	**234,780**	172,844	81,492	254,336
Timing of revenue recognition						
A point in time	**-**	**47,671**	**47,671**	-	81,492	81,492
Over time	**187,109**	**-**	**187,109**	172,844	-	172,844
Total	**187,109**	**47,671**	**234,780**	172,844	81,492	254,336

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 the PRC and Hong Kong ("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 segments:

2021

	Cold storage and related services HK$'000	**Trading of food and beverage HK$'000**	**Money lending services HK$'000**	**Total HK$'000**
Revenue	**187,109**	**47,671**	**288**	**235,068**
Segment loss	**(44,368)**	**(11,620)**	**(1,439)**	**(57,427)**
Unallocated income				**189**
Unallocated expenses				**(16,849)**
Change in fair value of financial assets at FVTPL				**44**
Finance costs				**(6,023)**
Loss before tax				**(80,066)**

2020

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	172,844	81,492	300	254,636
Segment (loss) profit	(20,771)	126	53	(20,592)
Unallocated income				1,583
Unallocated expenses				(15,267)
Change in fair value of financial assets at FVTPL				(227)
Finance costs				(6,051)
Loss before tax				(40,554)

The accounting policies of the operating segments are the same as the Group's accounting policies. 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.

3. OTHER INCOME

	2021	2020
	HK$'000	HK$'000
Government subsidy (Note)	**80**	10,841
Imputed interest income on loan to an associate	**2,199**	2,748
Imputed interest income on rental deposits paid	**910**	757
Interest income from bank deposits	**157**	1,017
Income from usage of machinery and equipment	**1,823**	1,480
Other service income	**3,091**	2,613
Dividend income	**19**	-
Sundry income	**267**	165
	8,546	19,621

Note: During the year ended 31st December, 2021, the Group recognised government grants of HK$80,000 related to motivation of business development in respect of trading of food and beverage business in PRC and Hong Kong. During the year ended 31st December, 2020, the Group recognised government grants of HK$10,841,000 in respect of Covid-19-related subsidies, of which (i) HK$10,721,000 relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region ("Hong Kong Government") for subsidising the salary costs incurred for the periods from June to August 2020 and September to November 2020; and (ii) an one-off subsidy of HK$120,000 from the Transport Department of the Hong Kong Government for subsidising goods vehicles.

4. OTHER GAINS AND LOSSES

	2021	2020
	HK$'000	HK$'000
		(Restated)
Change in fair value of derivative financial instruments	**1,800**	4,925
Change in fair value of financial assets at FVTPL	**44**	(227)
Loss on disposal/written off of property, plant and equipment	**(1,422)**	(575)
Loss on disposal of a subsidiary	**-**	(1,453)
Loss on early termination of leases	**-**	(185)
Net foreign exchange gain	**57**	320
	479	2,805

5. FINANCE COSTS

	2021	2020
	HK$'000	HK$'000
Interest expense on bank borrowing	**1,726**	2,158
Interest expense on bonds	**6,000**	6,000
Interest expense on lease liabilities	**8,276**	11,093
	16,002	19,251

6. TAXATION

	2021 **HK$'000**	2020 HK$'000
PRC Enterprise Income Tax:		
Current	**-**	30
Under provision in prior year	**204**	-
	204	30

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 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.

7. DIVIDEND

No dividend was paid during the year (2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

8. LOSS PER SHARE

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

	2021 **HK$'000**	2020 HK$'000
Loss		
Loss for the purpose of basic and diluted loss per share attributable to owners of the Company	**80,270**	40,584
	'000	'000
Number of shares		(Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share (Note a)	**290,110**	250,403
Effect of dilutive potential ordinary shares:		
Shares issuable from the Company's share option (Note b)	**-**	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	**290,110**	250,403

Notes:

(a) The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the years ended 31st December, 2021 and 2020 has been adjusted, taking into account the Share Consolidation on 24th March, 2022, and assuming the Share Consolidation has been completed on 1st January, 2020.

(b) The computation of diluted loss per share for year ended 31st December, 2021 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market prices for shares. Diluted loss per share is same as the basic loss per share for year ended 31st December, 2020 as there were no potential ordinary shares in issue for that year.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021	2020
	HK$'000	HK$'000
Trade receivables	**56,136**	41,093
Less: Allowance for credit loss	**(272)**	(126)
	55,864	40,967
Other receivables	**7,237**	1,161
Deposits and prepayments	**5,147**	5,687
Rental deposits	**50,201**	16,695
	118,449	64,510
Less: Rental deposits shown under non-current assets	**(47,384)**	(16,613)
	71,065	47,897

As at 1st January, 2020, trade receivables from contracts with customers amounted to HK$51,200,000.

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 at the end of the reporting period:

	2021	2020
	HK$'000	HK$'000
0 to 30 days	**26,539**	15,528
31 to 60 days	**15,431**	9,723
61 to 90 days	**6,882**	7,775
91 to 120 days	**2,570**	2,001
More than 120 days	**4,442**	5,940
	55,864	40,967

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, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$33,310,000 (2020: HK$26,481,000) which are past due at the reporting date. Out of the past due balances, HK$626,000 (2020: HK$19,000) 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 the payments on behalf of cold storage customers amounting HK$2,497,000 (2020: nil) and the assigned accounts receivables amounting HK$3,534,000 (2020: nil) which is part of the consideration of disposal of entire interest in an associate, such assigned accounts receivables is subsequently settled in January 2022. The directors of the Company consider that the allowance for credit losses for other receivables is insignificant to the Group.

10. LOAN RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Loan receivables	**2,764**	2,740
Less: Allowance for credit loss	**(2,764)**	(1,076)
	-	1,664

11. TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	HK$'000
Trade payables	**8,747**	6,451
Accrued staff costs	**4,233**	4,760
Bond interest payable	**2,992**	2,992
Provision for an onerous contract (Note)	**-**	1,622
Other payables and accrued charges	**6,241**	4,107
	22,213	19,932

Note: The provision was made for an onerous contract in relation to the provision of management service for cold storage and related services business to the associate during the year ended 31st December, 2020. Under this contract, the unavoidable costs of meeting the obligations have exceeded the economic benefit expected to be derived from the service income generated by the Group. In June 2021, the Group terminated the relevant management service agreement with effect from 1st October, 2021. The reversal of provision and provision for the onerous contract was recognised in "Cost of revenue".

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

	2021	2020
	HK$'000	HK$'000
0 to 30 days	**5,390**	4,495
31 to 60 days	**2,353**	1,776
61 to 90 days	**848**	110
91 to 120 days	**41**	17
More than 120 days	**115**	53
	8,747	6,451

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, 2021, the Group's total revenue amounted to approximately HK$235 million, representing a decrease of about 7.7%, compared to approximately HK$255 million from the preceding year.

For the year ended 31st December, 2021, the Group recorded a loss of approximately HK$80.3 million compared to the loss of approximately HK$40.6 million recorded in the year ended 31st December, 2020, which is equivalent to increase in loss of 97.8 %.

The Board considers that the increase in the loss is primarily attributable to (1) the Group no longer receives any government subsidies under the Employment Support Scheme from the Government's Anti-epidemic Fund established by the Hong Kong Government as a result of the outbreak of the coronavirus (COVID-19); (2) the one-off loss and expense recorded due to the disposal of an associate and the termination of a management service agreement with the associate; (3) the decline in turnover and gross margin in the Mainland China-based trading business due to the downturn of the macro economy and market competition; (4) the brand building and marketing costs incurred for a newly launched Original Equipment Manufactured ("OEM") beverage product in Mainland China; and (5) the continuance of the coronavirus (COVID-19) pandemic.

REVIEW OF OPERATING SEGMENTS

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

<u>Cold storage and logistics</u>

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

The COVID-19 pandemic and US-China trade tensions continued in year 2021, trading activities through Hong Kong were adversely affected, which in turn dampened the warehousing and logistics sector as a whole. On a related matter, we encountered continuous shipment delays causing operational inefficiency and deferrals of cold storage income. For the first half of year 2021, 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 of dine-in activities therefore their demand for frozen food reduced. This had adversely affected the Group's cold storage turnover from its F&B customers. Therefore, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services.

Furthermore, during the year, the Group entered into a termination agreement with the associate and ceased from the provision of management service to the associate. This echoed with our strategy to screen out nonperforming businesses with an aim to re-allocate the Group's resources efficiently and to achieve sustainable corporate growth in the long run.

On the other hand, 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 extension of temperature-controlled areas at our Kwai Hei Street warehouse and commenced operation in the third quarter of 2021. In addition, the Group has signed a facility service agreement at Tsing Yi in the fourth quarter of 2021, which provides us with one more cold storage warehouse in order to dealt with potential increasing demand from our customers in storage volume.

The Group's operating margins were severely impacted 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 Government of Hong Kong Special Administrative Region ("Hong Kong Government"), and had incurred additional costs on warehouse disinfection and the food package of cold stores at a higher level, as well as regular body temperature monitoring for all employees working onsite. We will continue to apply these actions to protect our employees and customers.

There was a considerate increase of rental cost imposed by our landlord for the cold storage warehouse that the Group operated since early 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 the intermittent shutdown of the boundary in Macau and Mainland China, the demand of these products had continued to decline throughout the year, resulting in a slower inventory turnover that reduced the warehouse's earnings.

The logistics business that the Group operated to mainly 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, more diversified business strategy, and competitive pricing.

Due to the pandemic gloom and weaker consumer demand during the year ended 31st December, 2021, 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 Business to Customer ("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. The new OEM is still at the start-up phase.

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), 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.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The Group is also cognizant of its vulnerability to political and economic risks in the macroeconomic environment, which could undermine demand for its products and services. We are also aware of other hazards, such as long-term depreciation on the warehouse properties that could compromise our storage capacity and therefore, business growth.

We practise financial prudence to safeguard the continual performance of our cold storage and logistics segment by reducing operating expense and conserving internal resources to counter any negative impact from the macroeconomic environment. In this risk category, the latest example is the coronavirus threat. From 2020 to date, we performed the best practice in accordance with the government's social distancing and safety guidelines concerning food safety, employee health and safety as well as hygiene and cleanliness at our premises. To this end, we have carried out disinfection exercises and clean our office and warehouses more frequently than usual in an utmost effort to contain all possible public health risks.

Market risks are another area of threat we seek to control with exacting cost-cutting action and measures to uplift our operational efficiency. Recognising that market demand for our products and services is highly dependent on how the economy performs and consumer sentiments, we monitor the macroeconomic conditions closely and are ready to realign our strategies and direction accordingly and rapidly. Buffering the Group from market risks also demand that we constantly revamp our business structure, product and service portfolios, adopt high-margin products and switch sales channels when necessary, as we have done to our trading segment.

Other decisions made to sidestep the risks facing the Group include:

- Improving the business performance and operational efficiency of our cold storage warehouse and the bonded warehouse business
- Carrying out operational revamp of our products and business structure and distribution network

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

PROSPECTS

Having a difficult time in year 2020, 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 and posted further solid growth of 5.5% and 4.8% respectively in the third and fourth quarters. 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 roll-out of the Consumption Voucher Scheme (CVS) 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. The fifth wave of COVID infections in Hong Kong during Q1 2022 may impose further uncertainties on Hong Kong's road to economic recovery. 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 in due course under the Hong Kong Government's the Prevention and Control of Disease Regulation, the F&B sector will be on road to recovery and will utilise more warehousing spaces for food storage.

In addition, the launch of the CVS in August 2021 help stimulate consumer demand and provide much-needed support to consumption-related sectors in Hong Kong. We expect the next round of CVS (expected to be launched in April 2022) will spur customer consumptions and in turn increase 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 in the future.

Trading of food and beverage products

The Group continued to conduct internal business restructuring throughout the year 2021, 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 OEM "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 e-commerce grocery platform "Urban Mart" (「安品・生活」) is capable of reaching out to mass retail customers. We will continue to source more products and local developed brand name products to extend our online channels.

CAPITAL REORGANISATION

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

The Capital Reorganisation comprises the following:

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

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

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

In light of the closing prices of the issued shares were below HK$0.1 in a number of trading days. Accordingly, the Company implemented the Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future.

For details of the Capital Reorganisation are set out in the Announcements and the Circular.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

Our long-term corporate strategy is to leverage two of our most profitable segments - cold storage/bonded warehousing and trading of food and beverage products - into a one-stop service platform. With such an integration, both segments will operate synergistically with each other to configure a unique business model generating more revenue and profits for the Group with a lower operational cost.

The Group continues to put efforts to improve our overall competitiveness, we must continue to uphold our high standard of food storage to continuously match the relevant government standards. We will explore avenues to maximise utilisation of cold storage facilities, such as improving the warehouse racking system to boost storage capacity and implementing the use of technology in order to meet increasing customer demand.

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. We have developed a new OEM beverage product to drive sales not only through our traditional offline distribution network but also online platform in Mainland China. In addition, the online grocery platform that we developed in Hong Kong, driven by KOLs, facilitate enjoyable online shopping experience for our Hong Kong customers.

With the vaccine rollout, the Group remains cautiously optimistic that recovery is just around the corner for Hong Kong, Mainland China and increasingly more parts of the world. 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 Mainland China. 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 31st December,	
		2021	2020
Loss per share – basic and diluted (restated 2020)	HK cents	**(27.7)**	(16.2)
Net assets per share attributable to owners of the Company	HK$	**0.37**	3.02
Current ratio	times	**1.25**	0.83
Total liabilities to total assets ratio	times	**0.96**	0.80
Gearing ratio	%	**1,175.7**	68.4
Return on equity ratio	%	**-755.0**	-46.2
Return on assets	%	**-24.7**	-8.9
Assets turnover ratio	times	**0.72**	0.56

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2021, the Group had bank balances and cash of approximately HK$59.9 million (2020: HK$69.8 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 70.9% and 29.1%, respectively. The decrease was mainly due to reduce in cash generated from operations.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to owners of the Company was approximately 1,175.7% as at 31st December, 2021 (2020: approximately 68.4%). The significantly increase of the gearing ratio was caused by the extension of bonds and renewal of bank borrowing during the year whereas such items are reclassified from current borrowings to non-current borrowings.

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, 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 31st December, 2020.

During the year ended 31st December, 2021, the Company and the placing agent entered into the deed of amendment to extend the maturity date with principal amount of HK$90 million for two years. Subsequent to the end of the reporting period, the maturity date of the remaining bond with principal amount of HK$10 million is also extended for two years.

As at 31st December, 2021, the Group had a bank borrowing of HK$35 million (2020: HK$35 million) denominated in HK$. As at 31st December, 2020, the maturity of borrowing is April 2021. During the year ended 31st December, 2021, the Group had entered into a supplemental loan agreement with the bank and the maturity of the borrowing is extended to April 2023 with a fixed interest rate of 5% per annum (2020: 5% per annum). As at 31st December, 2021, the banking facility utilised was HK$35 million (2020: HK$35 million).

During the year under review, 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 balances and cash 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 ended 31st December, 2021, 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, 2021, the total issued share capital of the Company was HK$29,011,040 (2020: HK$29,011,040) divided into 2,901,104,000 ordinary shares (2020: 2,901,104,000 ordinary shares) with a par value of HK$0.01 each.

Material acquisitions and disposals of subsidiaries, associates and joint ventures
In September 2021, the Group disposed of the entire interest in an associate to the other existing shareholder of the associate. Other than the above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31st December, 2021.

During the year ended 31st December, 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures except for the disposal of a subsidiary.

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

As at 31st December, 2020, bank deposits amounting to of approximately HK$64.3 million are pledged to a bank, as bank guarantee issued in favour of one landlord for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements. During the year ended 31st December 2021, the Group has negotiated with the landlord for the guarantee arrangement of tenancy agreement and as a result, the pledged bank deposits amounting to approximately HK$64.3 million are released from the bank, and the Group paid a cash deposit with an amount equivalent to six months' rent payable amounting approximately HK$34.8 million to the landlord.

In addition, within the Group's lease liabilities of approximately HK$144.9 million (2020: HK$206 million), approximately HK$0.4 million (2020: HK$0.6 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.4 million (2020: HK$0.6 million).

Future plans for material investments or capital assets
During the year ended 31st December, 2021 and 2020, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the new OEM beverage product in Mainland China and the online B2C ecommerce grocery platform in the Hong Kong as mentioned above.

Contingent liabilities
For the year ended and as at 31st December, 2021, the Group did not have any contingent liabilities (2020: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2021, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 190 and 50 respectively (2020: approximately 230 Hong Kong employees; 40 Mainland China employees). Total staff related costs for the year ended 31st December, 2021 amounted to approximately HK$78,568,000 (2020: HK$78,483,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy, professional tuition/training subsidy and share option scheme for employees' benefit.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December, 2021 (2020: 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. During the year ended 31st December, 2021, 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 and Mr. Fung are responsible for all day-to-day corporate management matters and Mr. Cheung is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2021, 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 A.2.7 of the CG Code.

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, 2021, the Company did not comply with code provision E.1.2 of the CG Code.

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

Directors' securities transactions

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

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

Audit Committee

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

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 31st December, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

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

The 2021 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, 2022