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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 2022

The Board of Directors (the "Board") of Daido Group Limited (the "Company") would like to report the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021. 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 2022

		Six months ended 30 June	
		2022	2021
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*		
– Provision of cold storage and related services		**116,693**	81,914
– Trading of food and beverage		**16,075**	22,848
– Interest income from money lending services		**134**	144
Total revenue		**132,902**	104,906
Cost of revenue		**(103,579)**	(97,013)
Gross profit		**29,323**	7,893
Other income	*4*	**5,002**	5,343
Other gains and losses	*5*	**(89)**	(1,697)
Impairment loss recognised on loan to an associate		**-**	(7,500)
Impairment losses reversed under expected credit loss model		**107**	-
Selling and distribution expenses		**(4,219)**	(5,603)
Administrative expenses		**(20,518)**	(21,092)
Share of loss of an associate		**-**	(7,824)
Finance costs	*6*	**(7,280)**	(8,306)
Profit (Loss) before tax		**2,326**	(38,786)
Taxation	*7*	**-**	(204)
Profit (Loss) for the period	*8*	**2,326**	(38,990)

**For identification purpose only*

	Notes	Six months ended 30 June 2022 HK$'000 (unaudited)	2021 HK$'000 (unaudited)
Other comprehensive (expense) income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(676)**	217
Total comprehensive income (expense) for the period		**1,650**	(38,773)
Profit (Loss) for the period attributable to:			
Owners of the Company		**2,326**	(38,990)
Non-controlling interests		-	-
		2,326	(38,990)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**1,650**	(38,773)
Non-controlling interests		-	-
		1,650	(38,773)
			(restated)
Earnings (Loss) per share	*10*		
– Basic		HK0.8 cent	(HK13.4 cents)
– Diluted		HK0.8 cent	(HK13.4 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	As at 30 June 2022 HK$'000 (unaudited)	As at 31 December 2021 HK$'000 (audited)
Non-current Assets			
Property, plant and equipment		**4,340**	4,889
Intangible asset		**343**	246
Right-of-use assets		**110,132**	137,180
Goodwill		**68**	68
Equity instrument at fair value through other comprehensive income ("FVTOCI")		**-**	-
Rental deposits paid		**48,490**	47,384
Other deposits paid		**6,900**	-
Pledged bank deposits		**1,700**	1,700
		171,973	191,467
Current Assets			
Inventories		**1,243**	2,241
Trade and other receivables, deposits and prepayments	*11*	**56,291**	71,065
Loan receivables	*12*	**22**	-
Bank balances and cash		**64,791**	59,919
		122,347	133,225
Current Liabilities			
Trade and other payables	*13*	**17,612**	22,213
Contract liabilities		**8,516**	8,744
Bank borrowing		**35,000**	-
Lease liabilities		**71,473**	65,943
Bonds		**-**	10,000
		132,601	106,900
Net Current (Liabilities) Assets		**(10,254)**	26,325
Total Assets Less Current Liabilities		**161,719**	217,792

	As at 30 June 2022 *HK$'000* (unaudited)	As at 31 December 2021 *HK$'000* (audited)
Capital and Reserves		
Share capital	**2,901**	29,011
Share premium and reserves	**9,711**	(18,379)
Equity attributable to owners of the Company	**12,612**	10,632
Non-controlling interests	**3,163**	3,163
	15,775	13,795
Non-current Liabilities		
Bank borrowing	**-**	35,000
Lease liabilities	**45,944**	78,997
Bonds	**100,000**	90,000
	145,944	203,997
	161,719	217,792

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.

As at 30 June 2022, the Group has net current liabilities of HK$10,254,000 mainly due to the reclassification of bank borrowing of HK$35,000,000 from non-current liabilities to current liabilities. Despite the net current liabilities as at 30 June 2022, the cash and cash equivalents amounted to HK$64,791,000 on the same day and the Group reported a net profit attributable to owners of the Company of HK$2,326,000 and recorded net cash from operating activities of HK$46,149,000 during the six months ended 30 June 2022. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2022, 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 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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

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 Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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 2022 (unaudited)			For the six months ended 30 June 2021 (unaudited)		
	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	**103,007**	**-**	**103,007**	58,793	-	58,793
Loading and handling services	**1,712**	**-**	**1,712**	2,739	-	2,739
Logistic and packing services	**11,974**	**-**	**11,974**	14,415	-	14,415
Management income	**-**	**-**	**-**	5,967	-	5,967
	116,693	**-**	**116,693**	81,914	-	81,914
Revenue from trading of food and beverage	**-**	**16,075**	**16,075**	-	22,848	22,848
Total	**116,693**	**16,075**	**132,768**	81,914	22,848	104,762
Geographical markets						
The People's Republic of China ("PRC")	**-**	**15,441**	**15,441**	-	22,799	22,799
Hong Kong	**116,693**	**634**	**117,327**	81,914	49	81,963
Total	**116,693**	**16,075**	**132,768**	81,914	22,848	104,762
Timing of revenue recognition						
A point in time	**-**	**16,075**	**16,075**	-	22,848	22,848
Over time	**116,693**	**-**	**116,693**	81,914	-	81,914
Total	**116,693**	**16,075**	**132,768**	81,914	22,848	104,762

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 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 2022 (unaudited)

	Cold storage and related services *HK$'000*	Trading of food and beverage *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Revenue	116,693	16,075	134	132,902
Segment profit (loss)	17,145	(4,552)	348	12,941
Unallocated income				159
Unallocated expenses				(7,764)
Finance costs				(3,010)
Profit before tax				2,326

For the six months ended 30 June 2021 (unaudited)

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

Segment profit (loss) represents the profit earned by (loss from) 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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Government subsidy	**2,745**	-
Imputed interest income on loan to an associate	**-**	1,458
Imputed interest income on rental deposits paid	**1,127**	396
Income from usage of machinery and equipment	**-**	1,095
Interest income from bank deposits	**-**	127
Other service income	**1,026**	2,197
Sundry income	**104**	70
	5,002	5,343

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Change in fair value of derivative financial instruments	**-**	(1,794)
Change in fair value of financial assets at FVTPL	**-**	46
Gain on disposal of property, plant and equipment	**8**	-
Net foreign exchange (loss) gain	**(97)**	51
	(89)	(1,697)

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on bank borrowing	**863**	863
Interest expense on bonds	**3,000**	3,000
Interest expense on lease liabilities	**3,417**	4,443
	7,280	8,306

7. TAXATION

	Six months ended 30 June	
	2021	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Under provision in prior year	**-**	204

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 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. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (Loss) for the period has been arrived at after charging (crediting):		
Amortisation of intangible asset	**37**	12
Depreciation of property, plant and equipment	**1,021**	1,324
Depreciation of right-of-use assets	**33,952**	34,359
Impairment loss (reversed) recognised under expected credit loss model		
– loan receivables	**(224)**	-
– trade receivables	**117**	-
	(107)	-

9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2021: 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 2021: nil).

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (Loss)		
Profit (Loss) for the purposes of basic and diluted earnings (loss) per share for the period attributable to owners of the Company	**2,326**	(38,990)
Number of shares	***'000***	*'000* (restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share *(Note a)*	**290,110**	290,110
Effect of dilutive potential ordinary shares: – Shares issuable from the Company's share options *(Note b)*	**-**	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**290,110**	290,110

Notes:

(a) The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the six months ended 30 June 2022 and 2021 has been adjusted, taking into account the Share Consolidation on 24 March 2022, and assuming the Share Consolidation has been completed on 1 January 2021.

(b) The computation of diluted earnings (loss) per share for the six months ended 30 June 2022 and 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 earnings (loss) per share is same as the basic earnings (loss) per share for the six months ended 30 June 2022 and 2021 as there were no potential ordinary shares in issue for both periods.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2022, included in trade and other receivables, deposits and prepayments are trade receivables, net of allowance for credit loss, of HK$50,785,000 (31 December 2021: HK$55,864,000).

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 2022 ***HK$'000*** **(unaudited)**	As at 31 December 2021 *HK$'000* (audited)
0 to 30 days	**21,244**	26,539
31 to 60 days	**13,307**	15,431
61 to 90 days	**5,846**	6,882
91 to 120 days	**3,024**	2,570
More than 120 days	**7,364**	4,442
	50,785	55,864

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 2022 ***HK$'000*** **(unaudited)**	As at 31 December 2021 *HK$'000* (audited)
Loan receivables	**2,562**	2,764
Less: Allowance for credit loss	**(2,540)**	(2,764)
	22	-

As at 30 June 2022, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK$2,200,000 (31 December 2021: HK$2,400,000) which carries fixed-rate interests at 12% per annum.

13. TRADE AND OTHER PAYABLES

As at 30 June 2022, included in trade and other payables are trade payables of HK$5,960,000 (31 December 2021: HK$8,747,000).

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

	As at 30 June 2022 ***HK$'000*** **(unaudited)**	As at 31 December 2021 *HK$'000* (audited)
0 to 30 days	**4,725**	5,390
31 to 60 days	**1,080**	2,353
61 to 90 days	**42**	848
91 to 120 days	**10**	41
More than 120 days	**103**	115
	5,960	8,747

Except for certain creditors who are allowed 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 2022, the Group's total revenue amounted to approximately HK$133 million, representing an increase of about 26.7%, compared to approximately HK$105 million from the corresponding period of last year.

For the six months ended 30 June 2022, the Group recorded a profit of approximately HK$2.3 million compared to the loss of approximately HK$39.0 million recorded in the corresponding period of last year, which is equivalent to decrease in loss of 105.9%.

The Board considers that the turnaround from loss to profit in the Group's financial performance is primarily due to the smooth on-going internal business restructuring and successful reallocation of resources to enable the Group to focus its efforts on the core business operating segments.

REVIEW OF OPERATING SEGMENTS

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

Cold storage and logistics

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

The on-going COVID-19 pandemic and US-China trade tensions had caused trading activities through Hong Kong being adversely affected, which in turn dampened the warehousing and logistics sector as a whole. As a result, we encountered continuous shipment delays causing operational inefficiency and deferrals of cold storage income. Throughout the 2021 and first half of 2022, the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") had implemented several social distancing rules such as limited dine-in hours and number of customers served at each table, which resulted in the food and beverage ("F&B") catering operators to suffer severely. F&B catering operators in Hong Kong were facing drastic reduction of dine-in activities therefore their demand for frozen food had been reduced. With this situation continued, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services. With various internal restructuring and resource allocation, the Group aims to focus on its core business with the view to achieve sustainable corporate growth in the long run.

During Hong Kong's various COVID-19 waves, the Group has noticed the increasing demand for warehouse storage and logistics service 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. In addition, the commencement of cold storage and logistics business at Tsing Yi in 2021 provided us with one more cold storage warehouse facility in order to dealt with potential increasing demand from our customers in storage volume.

The Group continued to follow the Guidelines on Prevention of COVID-19 for the General Public issued by the Department of Health of Hong Kong Government, and costs were incurred 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 considerable increase of rental cost imposed by our landlord for the cold storage warehouse that the Group operated. However, we consider that it would be challenging to transfer some of the relevant cost increments to our customers amid the weak economy in Hong Kong.

The Group also operated a bonded warehouse in Kwai Chung. 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 in turn reduced the warehouse's earnings. In order to minimise the operational cost, the Group has relocated the storage of alcohol and tobacco products from the original Kwai Chung bonded warehouse to Kwai Hei warehouse at the beginning of year 2022 upon the completion of the relevant bonded warehouse application.

The logistics business that mainly support the Group's 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 optimise revenue under this business segment through improvement of internal management, more diversified business strategy, and competitive pricing.

Due to the COVID-19 pandemic and weaker consumer demand for the past two years, stringent cost control measures were implemented to maintain the segment's profitability. The Group reviews and assesses its existing wholesale channels and had ceased certain distribution channels with lower margins so that it can focus its resources to grow the more profitable ones. The Group continues to source a large variety of local and foreign products and aims to connect the import, export, distribution, re-distribution and provide various kind of related value-added services to strengthen its operations.

Regarding the Business to Customer ("B2C") business unit with a beverage product named "Attitude Planet" (「態度星球」), it was a brand developed and owned by the Group which mainly produces herbal tea bottled drinks catered to the younger generations. It is operated by leveraging on our existing distribution network as well as online and offline distribution channels in Mainland China. The Group considers the Original Equipment Manufactured beverage a non-core business operation and therefore, in order to react to the COVID-19 pandemic, no significant further allocation of resources had been invested to support this business operation during the first half of 2022.

During the second quarter of 2021, the Group had started an online B2C e-commerce grocery platform called "Urban Mart" (「安品 ・ 生活」) in Hong Kong. Urban Mart reaches out to mass retail customers and sells daily products such as meat, seafood and drinks from around the world. Urban Mart 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 the new brand building is crucial at the start-up phase. This year, with the noticeable website traffic results such as the increasing number of clicks and views, we had expanded Urban Mart's sales channel from online to also offline through setting up limited time pop-up stores in various shopping centers in Hong Kong so that we can reach out to more potential new customers.

PROSPECTS

In the past two and a half years, Hong Kong's economy had been suffered from the COVID-19 pandemic and had face the most difficult challenges ever. According to the Census and Statistics Department of the Hong Kong Government, GDP decreased by 1.3% in real terms in the second quarter of 2022 from a year earlier, compared with the decrease of 3.9% in the first quarter. With support from the Hong Kong Government, the economy began to improve by the end of 2022 first half. Economic activities are likely to show further revival and gradually recover in during the second half of the year, but the extent will depend on how the potential resumption of quarantine-free travel with foreign countries may stimulate consumer's spending power and sentiment.

We expect the pandemic-driven recession in Hong Kong and the Mainland China 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 through the continue internal restructuring and reallocation of resources.

Cold storage and logistics

As the core business segment of the Group, we want to stabilise it, and at the same time, look for more opportunities to make it grow even stronger. The Group has foreseen the increasing required standards of cold storage and logistics services in the industry, and with the newly establishment of the Transport and Logistics Bureau of the Hong Kong Government, it is expected the improvement of Hong Kong's transportation and logistics will be well recognised and attract more potential investors around the globe. The Group will continue to actively seek more opportunities from logistics business and expand into a full service provider.

After the renovation in 2021, our Kwai Hei Street warehouse had replaced the cooling system with the aims to achieve operational efficiency and to observe environmental protection. This made us well equipped for the increasing required standard of cold storage and logistics services in the industry. As the COVID-19 pandemic is still ongoing, we will continue flexibly allocate our existing resources and 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.

Trading of food and beverage products

The Group continued to conduct internal business restructuring in Mainland China throughout the 2021 by sourcing quality suppliers and products, replacing underperforming products and sales channels, realigning our retail prices in tandem with market conditions and adjusting our portfolio with the incorporation of higher-margin products. To achieve further cost efficiency, we will continue to explore alternative sales channels (such as online channels) without compromising our operating effectiveness.

To stay abreast with the digital age, we aim to make use of e-commerce solutions for reaching out to larger consumer base in Hong Kong. We believe our newly launched online B2C e-commerce grocery platform "Urban Mart" (「安品 • 生活」) is capable of reaching out to mass retail customers through increasing number of membership registrations. In addition, we continue to implement online to offline ("O2O") strategy by sourcing available physical sites for pop-up stores so that our online platform can reach out to more potential customers. We will continue to source international and local products so that we further enhance our customers' online and offline shopping experience and can fully satisfy their daily shopping needs.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2022, the Group had bank balances and cash of approximately HK$64.8 million (31 December 2021: HK$59.9 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 76.0% and 24.0% (31 December 2021: 70.9% and 29.1%), respectively. The increase was mainly due to increase 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 792.9% as at 30 June 2022 (31 December 2021: 1,175.7%). The decrease of gearing ratio was mainly caused by the reclassification of bank borrowing from non-current borrowings to current borrowings in accordance with the maturity date under the loan agreement.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13 November 2014 and ending on 12 November 2015. The net proceeds from the issue of the bonds were utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13 November 2014, 26 January and 23 April 2015. The aggregate principal amount of HK$100 million were issued in the year ended 31 December 2014 and 31 December 2015 with principal amount of HK$40 million and HK$60 million, respectively. As at 30 June 2022, the aggregate principal amount of bonds amounted to HK$100 million which is same as 31 December 2021.

During the current interim period, the Company and the placing agent entered into the deed of amendment for two-year extension with the principal amount of HK$10 million whereas such bond is classified as current liabilities as at 31 December 2021.

As at 30 June 2022, the Group had a bank borrowing of HK$35 million (31 December 2021: HK$35 million) denominated in HK$. The maturity of borrowing is April 2023 with a fixed interest rate of 5% per annum which is same as 31 December 2021. As at 30 June 2022, the banking facility utilised was HK$35 million (31 December 2021: 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 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 six months ended 30 June 2022, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure
The Company had changed its capital structure in March 2022. As at 30 June 2022, the total issued share capital of the Company was HK$2,901,104 (31 December 2021: HK$29,011,040) divided into 290,110,400 ordinary shares (31 December 2021: 2,901,104,000 ordinary shares) with a par value of HK$0.01 each.

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

(i) every ten (10) issued shares were consolidated into one (1) Consolidated Share (the "2022 Share Consolidation");

(ii) following the 2022 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 "2022 Capital Reduction"); and

(iii) immediately following the 2022 Capital Reduction, all the credits arising from the 2022 Capital Reduction was transferred to the capital reserve of the Company.

In light of the closing prices of the issued shares were below HK$0.10 in a number of trading days, accordingly, the Company effected the 2022 Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future which the Board considered that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole. For details of the 2022 Capital Reorganisation are set out in the Announcements and the Circular.

Material acquisitions and disposals of subsidiaries, associates and joint ventures
During the current interim period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures which is same as the corresponding period of last year.

Charges on assets
As at 30 June 2022, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage services, to the extent of HK$3.5 million (31 December 2021: HK$3.5 million) are secured by bank deposits amounting to HK$1.7 million (31 December 2021: HK$1.7 million). The amount utilised at 30 June 2022 was approximately HK$1.4 million (31 December 2021: HK$1.4 million).

In addition, within the Group's lease liabilities of approximately HK$117.4 million (31 December 2021: HK$144.9 million), approximately HK$0.3 million (31 December 2021: HK$0.4 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.3 million (31 December 2021: HK$0.4 million).

Future plans for material investments or capital assets
As at 30 June 2022, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the online B2C e-commerce grocery platform in Hong Kong as mentioned above.

Contingent liabilities
As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 180 and 40 respectively (30 June 2021: approximately 220 Hong Kong employees; 50 Mainland China employees). Total staff related costs for the six months ended 30 June 2022 amounted to approximately HK$34,056,000 (six months ended 30 June 2021: approximately HK$40,881,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy, professional tuition/training subsidy and share option scheme for employees' benefit.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022.

CORPORATE GOVERNANCE

Code on corporate governance practices

For the first half of 2022, 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.

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 2022 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 2022 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 Advisor 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 2022, 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 operational control of the cold storage and related service segment (property, plant and equipment cycle; and cash management and treasury cycle); (ii) the design of written policies and procedures of the ancillary logistic services (revenue and receivable cycle; purchase and payable cycle; expenditure cycle; and human resources cycle); (iii) the compliance risk management control of the Group; (iv) the financial reporting and disclosure control of the Group; and (v) follow up on the recommendations in the previous year's report.

During the six months ended 30 June 2022, 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 and the Company's website at www.irasia.com/listco/hk/daido/index.htm.

The 2022 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 2022