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 2023

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 2023, together with the comparative figures for the corresponding period in 2022. 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
SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023	2022
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	4		
– Provision of cold storage and related services		**118,670**	116,693
– Trading and sales of food and beverage		**43,093**	16,075
– Interest income from money lending services, calculated using effective interest method		**131**	134
Total revenue		**161,894**	132,902
Cost of revenue		**(127,831)**	(103,579)
Gross profit		**34,063**	29,323
Other income	5	**3,974**	5,002
Other gains and losses, net	6	**12,646**	(89)
Loss allowance on trade and other receivables, net		**(173)**	107
Selling and distribution expenses		**(5,085)**	(4,219)
Administrative expenses		**(18,549)**	(20,518)
Finance costs	7	**(5,482)**	(7,280)
Profit before tax		**21,394**	2,326
Income tax expenses	8	**-**	-
Profit for the period		**21,394**	2,326

**For identification purpose only*

	Notes	Six months ended 30 June **2023** ***HK$'000*** **(unaudited)**	 2022 *HK$'000* (unaudited)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(692)**	(676)
Total comprehensive income for the period		**20,702**	1,650
Profit for the period attributable to:			
Equity holders of the Company		**11,833**	2,326
Non-controlling interests		**9,561**	-
		21,394	2,326
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**11,141**	1,650
Non-controlling interests		**9,561**	-
		20,702	1,650
Earnings per share attributable to equity holders of the Company	10		
Basic		HK4.08 cents	HK0.80 cent
Diluted		HK4.08 cents	HK0.80 cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	At 30 June 2023 HK$'000 (unaudited)	At 31 December 2022 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**3,858**	4,164
Intangible assets		**278**	322
Right-of-use assets		**44,744**	79,464
Goodwill		**68**	68
Equity instrument at fair value through other comprehensive income ("FVOCI")		**-**	-
Rental deposits paid		**54,905**	53,661
Pledged bank deposits		**1,700**	1,700
Other deposit paid		**-**	6,900
		105,553	146,279
Current assets			
Inventories		**1,195**	1,043
Trade and other receivables, deposits and prepayments	11	**69,144**	57,473
Bank and cash balances		**61,419**	60,411
		131,758	118,927
Current liabilities			
Trade and other payables	12	**18,405**	17,831
Contract liabilities		**8,824**	8,619
Lease liabilities		**47,318**	74,058
Bonds payables		**100,000**	40,000
		174,547	140,508
Net current liabilities		**(42,789)**	(21,581)
Total assets less current liabilities		**62,764**	124,698
Non-current liabilities			
Bank borrowing		**35,000**	35,000
Lease liabilities		**1,110**	11,022
Bonds payables		**-**	60,000
		36,110	106,022
NET ASSETS		**26,654**	18,676

	At **30 June** **2023** ***HK$'000*** **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Capital and reserves		
Share capital	**2,901**	2,901
Reserves	**23,753**	12,612
Equity attributable to equity holders of the Company	**26,654**	15,513
Non-controlling interests	**-**	3,163
TOTAL EQUITY	**26,654**	18,676

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

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 (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

At 30 June 2023, the Group has net current liabilities of HK$42,789,000. Despite the net current liabilities at 30 June 2023, the cash and cash equivalents amounted to HK$61,419,000 on the same day and the Group reported a net profit attributable to equity holders of the Company of HK$11,833,000 and recorded net cash from operating activities of HK$44,824,000 during the six months ended 30 June 2023. At 30 June 2023, the Group has undrawn banking facilities of HK$30,000,000 from the financial institution available to the Group for its use. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2023, 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 value.

Other than additional/changes in accounting policies resulting from adoption of new/revised 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Adoption of new/revised to HKFRSs

In the current interim period, the Group has adopted the following new/revised to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of the new/revised 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.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current interim period.

3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the executive directors consider that the operating segments of the Group comprise:

(i) Cold storage and related services in Hong Kong;
(ii) Trading and sales of food and beverage in the People's Republic of China ("PRC") and Hong Kong; and
(iii) Money lending services in Hong Kong.

In addition, the executive directors consider that the Group's place of domicile is Hong Kong, where the central management and control is located.

Segment revenue and results

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

Six months ended 30 June 2023 (unaudited)

	Cold storage and related services *HK$'000*	Trading and sales of food and beverage *HK$'000*	Money lending services *HK$'000*	Consolidated *HK$'000*
Segment revenue	118,670	43,093	131	161,894
Segment results	15,562	2,742	153	18,457
Unallocated income				12,863
Unallocated finance costs				(3,046)
Unallocated expenses				(6,880)
Profit before tax				21,394

Six months ended 30 June 2022 (unaudited)

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

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of certain other income, central administration costs (including certain auditor's remuneration, certain depreciation of right-of-use assets and property, plant and equipment and directors' remuneration) and certain finance costs.

4. REVENUE

Revenue is analysed by category as follows:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from Contracts with Customers within HKFRS 15		
Provision of cold storage and related services		
– Cold storage	**104,585**	103,007
– Loading and handling services	**1,574**	1,712
– Logistic and packing services	**12,511**	11,974
	118,670	116,693
Trading and sales of food and beverage	**43,093**	16,075
Revenue from Contracts with Customers within HKFRS 15	**161,763**	132,768
Interest income from money lending services, calculated using effective interest method	**131**	134
Total revenue	**161,894**	132,902
Geographical markets		
The PRC	**42,961**	15,441
Hong Kong	**118,802**	117,327
Total	**161,763**	132,768
Timing of revenue recognition		
A point in time	**43,093**	16,075
Over time	**118,670**	116,693
Total	**161,763**	132,768

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Government subsidy	**279**	2,745
Imputed interest income on rental deposits paid	**1,253**	1,127
Interest income from bank deposits	**129**	-
Other service income	**2,236**	1,026
Sundry income	**77**	104
	3,974	5,002

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Exchange losses	**(83)**	(97)
Gain on disposal of a subsidiary	**12,729**	-
Gain on disposal of property, plant and equipment	-	8
	12,646	(89)

7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on bank borrowing	**863**	863
Interest expense on bonds payables	**3,000**	3,000
Interest expense on lease liabilities	**1,619**	3,417
	5,482	7,280

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Income tax expenses	**-**	-

(i) Hong Kong Profits Tax

Hong Kong Profits Tax at the rate of 16.5% has not been provided as certain Group entities' estimated assessable profits were absorbed by unrelieved tax losses brought forward from previous year, some incurred losses for taxation purposes in Hong Kong for the six months ended 30 June 2023 and 2022.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in Bermuda and the British Virgin Islands respectively are exempted from the payment of income tax of the respective jurisdictions.

The Group's operations in the PRC are subject to enterprise income tax of the PRC at 25% (six months ended 30 June 2022: 25%).

9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2022: 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 2022: nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**11,833**	2,326
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**290,110**	290,110
Effect of dilutive potential ordinary shares: – Shares issuable from the Company's share option (Note)	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**290,110**	290,110

Note:

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 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 per share is same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as there were no potential ordinary shares in issue for both periods.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

At 30 June 2023, included in trade and other receivables, deposits and prepayments are trade receivables, net of loss allowance, of HK$57,816,000 (31 December 2022: HK$53,219,000).

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

	At 30 June 2023 *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Within 30 days	**28,319**	23,391
31 to 60 days	**18,554**	15,486
61 to 90 days	**5,261**	6,318
91 to 120 days	**1,205**	3,052
More than 120 days	**4,477**	4,972
	57,816	53,219

At 30 June 2023, included in the carrying amount of trade receivables is loss allowance of HK$999,000 (31 December 2022: HK$796,000).

(b) Loan receivables

At 30 June 2023, loan receivables represent two debtors with principal amounts and interest receivables of HK$2,174,000 and HK$336,000 (31 December 2022: HK$2,226,000 and HK$336,000) respectively which are past due as at the reporting date for more than 365 days. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses were made for irrecoverable amount.

	At 30 June 2023 *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Loan and interest receivables	**2,510**	2,562
Less: Loss allowance	**(2,510)**	(2,540)
	-	22

12. TRADE AND OTHER PAYABLES

At 30 June 2023, included in trade and other payables are trade payables of HK$7,889,000 (31 December 2022: HK$5,923,000).

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

	At 30 June 2023 *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Within 30 days	**5,136**	4,357
31 to 60 days	**2,672**	1,511
61 to 90 days	**59**	50
91 to 120 days	**22**	5
	7,889	5,923

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately HK$162 million, representing an increase of about 21.8%, compared to approximately HK$133 million from the corresponding period of last year.

For the six months ended 30 June 2023, the Group recorded a profit of approximately HK$21.4 million compared to the profit of approximately HK$2.3 million recorded in the corresponding period of last year, representing an increase of approximately HK$19.1 million.

The Board considers that the increase in profit of the Group was primarily attributable to (i) the increase in the revenue from trading and sales of food and beverage business in Mainland China by approximately 178.2% recorded in the six months ended 30 June 2023 as compared to the corresponding period of last year due to implementation of effective sales strategies; (ii) the one-off gain recorded due to the disposal of a subsidiary; and (iii) the decrease by approximately 9.6% in administrative expenses as a result of the Group's cost saving actions.

REVIEW OF OPERATING SEGMENTS

The Group is mainly engaged in cold storage and related services business, trading and sales 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.

Throughout the first half of 2023, the adverse effect from COVID-19 is fading away with the cancelation of prevention measures imposed by the Government of the Hong Kong Special Administrative Region ("Hong Kong Government"), such as the social distancing rules including limited dine-in hours and number of customers served at each table, and the resumption of quarantine-free travel to Hong Kong, provoking the demand of frozen food from the food and beverage ("F&B") catering. However, the performance of this segment was relatively hysteretic with the positive trend in the "F&B" catering sector. The Group recorded a decline of profit in cold storage and logistics during the current interim period, compared to the corresponding period of last year. With this situation and further recovery of the economy, the management is cautiously optimistic and 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 services from grocery distributors, supermarkets and frozen food outlets. In response to the increasing market demand from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our Kwai Hei Street warehouse. In addition, the commencement of cold storage and logistics business of our Tsing Yi warehouse in the fourth quarter of 2021 provided us with additional cold storage facilities to dealt with the increasing demand from our customers in storage volume. During the current interim period, we maintained good relationships and stable storage volume with existing customers while continued to reach out and develop business with operators in these sectors.

The Group continued to referencing the Guidelines on Prevention of COVID-19 for the General Public issued by the Department of Health of Hong Kong Government throughout the first half of 2023, and costs were incurred on warehouse disinfection at a higher level. We will continue to apply these actions to protect our employees and customers.

The rental cost imposed by our landlord for the cold storage warehouse that the Group operated stayed steady, which remains as a key cost item, during the current interim period. We adjusted prices with a higher rate to majority of our customers. However, the storage volume from customers slightly decreased is observed. The management is facing challenges when considering price increment to transfer some of the relevant cost to our customers.

The Group had operated a bonded warehouse in Kwai Hei Street warehouse that carries alcohol and tobacco products. Even with the recovery of the boundary in Mainland China and Macau, the number of cross-boundary drivers is limited, resulting in a slow inventory turnover that in turn remains the warehouse's earnings with the same level before the recovery.

The logistics business that mainly support the Group's warehousing customers has remained stable.

Trading and sales of food and beverage products

The Group conducts its trading and sales business of food and beverage products through a growing network of supermarkets, convenient stores and distributors in Mainland China. The Group aims to optimise revenue under this business segment through focusing on developing higher margin wholesale channels.

After the COVID-19 pandemic and recovering of consumer demand for the first half of 2023, the Group continuously reviews and assesses its existing wholesale and distribution channels and had ceased certain channels with lower margins, especially the network of supermarkets. Meanwhile, the Group is dedicated to build up the network of convenient stores with various suitable food and beverage items as part of the total sales strategies. A key overseas brand dairy product is re-introduced into a high margin channel. Stringent cost control measures were implemented to maintain the segment's profitability at the same time. The Group recorded a turnaround in profit during the current interim period.

After prudent consideration, the Group ceased the non-core Business to Customer ("B2C") business unit with a beverage product named "Attitude Planet" in Mainland China to re-allocate resources of the Group to higher margin business and core business.

With the lift of prevention measures of COVID-19, the management observed and foresee a weakening demand of online shopping and responded swiftly to phase out the operation of e-commerce grocery platform named "Urban Mart" in Hong Kong.

PROSPECTS

Hong Kong's economy continued to be suffered from the COVID-19 pandemic and had face the most difficult challenges ever over the past three years. With support from the Hong Kong Government, the resume of economic activities, such as the resumption of quarantine-free travel and re-open of the boundaries, Hong Kong's economy rebounds in 2023, it stimulates consumer's spending power and sentiment. According to the Census and Statistics Department of the Hong Kong Government, GDP increased by 1.5% in real terms in the second quarter of 2023 from a year earlier, compared with the increase of 2.9% in the first quarter.

We expect 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 with the end of pandemic-driven recession in Hong Kong and the Mainland China and fully recovery of the cross-boundary activities.

Cold storage and logistics

As the core business unit 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, 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 to a diversified service provider by providing value-added services to our customers so that we can expand our client portfolio.

After the renovation of our Kwai Hei Street warehouse, the replacement of the cooling system is expected to achieve operational efficiency and to observe environmental protection standards. This made us well equipped for the increasing required standard of cold storage and logistics services in the industry. We will continue to flexibly allocate our existing resources and to diversify our customers base by reaching out to more operators of supermarket and frozen food outlets with their need for cold storage facilities continue to stay strong.

Trading and sales of food and beverage products

The Group expect the profit of food and beverage distribution operations in Mainland China would increase with the strategy of developing higher-margin wholesale channels. The Group would continue to replace 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 and wholesale channels. To achieve further profitability, we plan to search for proper high margin foreign products to trade in Mainland China while seeking for suitable products made in Mainland China to trade in Hong Kong.

FINANCIAL REVIEW

Liquidity and financial resources

At 30 June 2023, the Group had bank and cash balances of approximately HK$61.4 million (31 December 2022: HK$60.4 million), which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$") as to 74.7%, 8.9% and 16.4% (31 December 2022: 82.3%, 17.7% and nil), respectively. The slight 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 equity holders of the Company was approximately 131.3% at 30 June 2023 (31 December 2022: 612.4%). The decrease of gearing ratio was mainly caused by the reclassification of bonds payables from non-current borrowings to current borrowings in accordance with the maturity dates.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13 November 2014 and ending on 12 November 2015. The net proceeds from the issue of the bonds were utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13 November 2014, 26 January and 23 April 2015. The aggregate principal amount of HK$100 million were issued in the year ended 31 December 2014 and 31 December 2015 with principal amount of HK$40 million and HK$60 million, respectively. The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. At 30 June 2023, the aggregate principal amount of bonds remaining outstanding was HK$100 million which is same as 31 December 2022.

At 30 June 2023, bonds with principal amount of HK$100 million (31 December 2022: HK$40 million) will mature within twelve months from the end of the reporting period accordingly, classified as current.

At 30 June 2023, the Group had a bank borrowing of HK$35 million (31 December 2022: HK$35 million) denominated in HK$. The maturity of borrowing is April 2025 with a fixed interest rate of 5% per annum which is same as 31 December 2022. At 30 June 2023, the banking facility utilised was HK$35 million (31 December 2022: 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 and cash balances are held mainly in HK$.

Exposure to fluctuations in exchange rates and related hedges
Monetary assets and liabilities of the Group are principally denominated in HK$. The directors consider the Group's exposure to exchange rate risks to be low. The Group may have relatively high exposure to exchange rate risk when more trading and sales of food and beverage business to be operated in Mainland China. The directors will review the exchange rate risks faced by the Group periodically.

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

Share capital structure
At 30 June 2023, the total issued share capital of the Company was HK$2,901,104 (31 December 2022: HK$2,901,104) divided into 290,110,400 ordinary shares (31 December 2022: 290,110,400 ordinary shares) with a par value of HK$0.01 each.

Material acquisitions and disposals of subsidiaries, associates and joint ventures
During the current interim period, a non-operating subsidiary was disposed by the Group. Other than above, 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
At 30 June 2023, 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 2022: HK$3.5 million) are secured by bank deposits amounting to HK$1.7 million (31 December 2022: HK$1.7 million). The amount utilised at 30 June 2023 was approximately HK$1.4 million (31 December 2022: HK$1.4 million).

In addition, within the Group's lease liabilities of approximately HK$48.4 million (31 December 2022: HK$85.1 million), approximately HK$0.1 million (31 December 2022: HK$0.2 million) was secured by a lessor's charge over the leased asset with carrying value of approximately HK$0.1 million (31 December 2022: HK$0.2 million).

Future plans for material investments or capital assets

At 30 June 2023, the Group did not have any concrete future plans for material investments or capital assets.

Contingent liabilities

At 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2023, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 170 and 40 respectively (30 June 2022: approximately 180 Hong Kong employees; 40 Mainland China employees). Total staff related costs for the six months ended 30 June 2023 amounted to approximately HK$33,967,000 (six months ended 30 June 2022: approximately HK$34,056,000). 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 2023 (six months ended 30 June 2022: 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 2023.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No important events affecting the Group occurred since 30 June 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

Code on corporate governance practices

For the first half of 2023, 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 C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the current interim 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 F.2.2 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 current interim period, the Company did not comply with code provision F.2.2 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 current interim period. No incident of non-compliance was noted by the Company during the current interim period.

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 2023 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 2023 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. Lo Chi Wang and Mr. Tse Yuen Ming. Mr. Leung Chi Hung is the chairman of the Audit Committee. Effective on 25 May 2023, Mr. Lo Chi Wang replaced Mr. Fung Siu Kit, Ronny as a member of the Audit Committee.

Risk management and internal control

The Board is responsible for ensuring the Group possesses adequate and effective risk management and internal control systems (the "RM and IC Systems"). The Audit Committee then reviews this system. The RM and IC Systems aim to manage potential risks of failure in operational systems so that the Group's objectives are met, offering reasonable assurance against material misstatements or losses but can never offer an absolute guarantee.

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 in the department's business and regularly implement strategies and policies set by the Board.

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 an independent appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Advisor is conducting their appraisal for the current fiscal year as of the report date.

During the six months ended 30 June 2023, the Audit Committee, with the assistance of the Internal Control Adviser, has developed the current year's RM and IC systems appraisal plan. The scope of the current fiscal year's RM and IC system evaluation plan focused on reviewing (i) operational controls for the cold storage and related services segment (purchase and payables cycle and expenditure cycle); (ii) operational controls for the ancillary logistics services segment (revenue and receivables cycle and purchase and payables cycle); (iii) compliance risk management controls of the Group; (iv) financial reporting and disclosure controls of the Group; and (v) follow up on recommendations from the previous year's report.

During the six months ended 30 June 2023, the Board was satisfied that the Group's risk management and internal control processes were adequate to meet the needs of the Group in its current business environment and that nothing had come to their attention to cause them to believe the Group's RM and IC Systems were inadequate. The existing RM and IC Systems were effective and adequate, and the Board would continue to review, strengthen, or update them 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 2023 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. Leung Chi Hung, Mr. Lo Chi Wang and Mr. Tse Yuen Ming.

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

Hong Kong, 30 August 2023