DAIDO GROUP LIMITED
大同集團有限公司*

(Incorporated in Bermuda and its members' liability is limited)
(Stock Code: 00544)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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 31 December 2023, together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*4*		
- Provision of cold storage and related services		**230,574**	238,362
- Trading and sales of food and beverage		**67,551**	34,680
- Others		**261**	266
Total revenue		**298,386**	273,308
Cost of revenue		**(246,510)**	(213,784)
Gross profit		**51,876**	59,524
Other income	*5*	**10,088**	9,712
Other gains and losses, net	*6*	**(2,704)**	(812)
Gain on disposal of a subsidiary		**12,729**	-
Loss allowance on trade and other receivables, net		**(5)**	(357)
Selling and distribution expenses		**(10,537)**	(9,452)
Administrative expenses		**(36,084)**	(40,288)
Finance costs	*7*	**(10,130)**	(13,567)

* *For identification purpose only*

	Notes	2023 HK$'000	2022 HK$'000
Profit before tax		**15,233**	4,760
Income tax expenses	*8*	**-**	-
Profit for the year		**15,233**	4,760
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(336)**	(1,200)
Other comprehensive expense		**(336)**	(1,200)
Total comprehensive income for the year		**14,897**	3,560
Profit for the year attributable to:			
Equity holders of the Company		**5,672**	4,760
Non-controlling interests		**9,561**	-
		15,233	4,760
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**5,336**	3,560
Non-controlling interests		**9,561**	-
		14,897	3,560
Earnings per share attributable to equity holders of the Company			
Basic	*9*	**HK1.96 cents**	HK1.64 cents
Diluted	*9*	**HK1.96 cents**	HK1.64 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**3,173**	4,164
Intangible assets		**-**	322
Right-of-use assets		**76,803**	79,464
Goodwill		**68**	68
Equity instrument at fair value through other comprehensive income ("FVOCI")		**-**	-
Rental deposits paid	*11*	**195**	53,661
Pledged bank deposits		**1,700**	1,700
Other deposit paid	*11*	**-**	6,900
		81,939	146,279
Current assets			
Inventories		**886**	1,043
Trade and other receivables, deposits and prepayments	*11*	**107,761**	57,473
Bank and cash balances		**61,952**	60,411
		170,599	118,927
Current liabilities			
Trade and other payables	*12*	**14,451**	17,831
Contract liabilities		**7,366**	8,619
Lease liabilities		**73,918**	74,058
Bonds payables		**100,000**	40,000
		195,735	140,508
Net current liabilities		**(25,136)**	(21,581)
Total assets less current liabilities		**56,803**	124,698
Non-current liabilities			
Bank borrowing		**35,000**	35,000
Lease liabilities		**954**	11,022
Bonds payables		**-**	60,000
		35,954	106,022
NET ASSETS		**20,849**	18,676

	2023	2022
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**2,901**	2,901
Reserves	**17,948**	12,612
Equity attributable to equity holders of the Company	**20,849**	15,513
Non-controlling interests	**-**	3,163
TOTAL EQUITY	**20,849**	18,676

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

At 31 December 2023, the Group has net current liabilities position of approximately HK$25,136,000. At 31 December 2023, the Group's total borrowings comprising bank borrowing, lease liabilities and bonds payables amounted to approximately HK$209,872,000 and the balance of approximately HK$173,918,000 will be due in the coming twelve months from the end of the reporting period. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. 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 internal resources available, repayment schedule of bonds payables and bank borrowing and the cash generated from operation. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. ADOPTION OF NEW / REVISED TO HKFRSs

Changes in accounting policies

The Group has applied, for the first time, the following new / revised HKFRSs that are relevant to the Group:

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

Amendments to HKAS 1: Disclosure of Accounting Policies
The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates
The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules
The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new / revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] The effective date to be determined

Except for the amendments to HKFRSs mentioned below, the directors do not anticipate that the adoption of these new / revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Based on the Group's outstanding liabilities at 31 December 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

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.

For the year ended 31 December 2022, the Group had three reportable segments: Cold storage and related services, trading and sales of food and beverage and money lending services.

For the year ended 31 December 2023, in the opinion of the management of the Group, the money lending services segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more profitable segments including the existing business segments. The Group has no plan to engage in money lending services. To reflect the Group's future business development plan and prospect, the money lending services have been reclassified as non-reportable segment. Comparative figures have been restated to conform to the current year's presentation.

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; and
(ii) Trading and sales of food and beverage in the People's Republic of China ("PRC") and 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 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 revenue, 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.

Year ended 31 December 2023

	Cold storage and related services *HK$'000*	**Trading and sales of food and beverage** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue			
Major customer A	35,032	-	35,032
Major customer B	-	50,160	50,160
Other customers	195,542	17,391	212,933
Total revenue	230,574	67,551	298,125
Segment results	23,026	(1,111)	21,915
Unallocated revenue			261
Unallocated other income			353
Unallocated other gains and losses, net			(63)
Gain on disposal of a subsidiary			12,729
Unallocated finance costs			(6,084)
Unallocated expenses			(13,878)
Profit before tax			15,233

Year ended 31 December 2022

	Cold storage and related services *HK$'000*	Trading and sales of food and beverage *HK$'000*	Consolidated *HK$'000* (Restated)
Segment revenue			
Major customer A	35,964	-	35,964
Other customers	202,398	34,680	237,078
Total revenue	238,362	34,680	273,042
Segment results	32,075	(7,206)	24,869
Unallocated revenue			266
Unallocated other income			274
Unallocated other gains and losses, net			5
Unallocated finance costs			(6,046)
Unallocated expenses			(14,608)
Profit before tax			4,760

4. REVENUE

Revenue is analysed by category as follows:

	2023	2022
	HK$'000	*HK$'000*
Revenue from Contracts with Customers within HKFRS 15		
Provision of cold storage and related services		
- Cold storage	**201,429**	208,617
- Handling services	**3,270**	3,277
- Logistics services	**25,875**	26,468
	230,574	238,362
Trading and sales of food and beverage	**67,551**	34,680
Revenue from Contracts with Customers within HKFRS 15	**298,125**	273,042
Others	**261**	266
Total revenue	**298,386**	273,308
Timing of revenue recognition		
A point of time	**67,551**	34,680
Over time	**230,574**	238,362
	298,125	273,042

5. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Government subsidies *(Note)*	**354**	4,114
Imputed interest income on rental deposits paid	**2,552**	2,414
Interest income from bank deposits	**344**	12
Other service income	**6,768**	2,946
Sundry income	**70**	226
	10,088	9,712

Note: During the year ended 31 December 2023, the Group recognised government subsidies of approximately HK$97,000 *(2022: approximately HK$4,114,000)* in respect of Covid-19-related subsidies, of which (i) approximately HK$9,000 *(2022: approximately HK$4,067,000)* relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region (the "Hong Kong Government") for recognised salary costs; (ii) an one-off subsidy of Nil *(2022: HK$20,000)* from the Transport Department of the Hong Kong Government for subsidising goods vehicles; and (iii) approximately HK$88,000 *(2022: approximately HK$27,000)* related to motivation of business development in respect of trading and sales of food and beverage business in Hong Kong. During the year ended 31 December 2023, the Group recognised government subsidy of approximately HK$257,000 *(2022: Nil)* in respect of Phasing out Euro IV Diesel Commercial Vehicles - Ex-gratia Payment Scheme provided by the Hong Kong Government.

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

6. OTHER GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Exchange losses, net	**(97)**	(222)
(Loss) Gain on disposal / written-off of property, plant and equipment	**(835)**	56
Written-off of intangible assets	**(234)**	-
Written-off of loan receivables	**(21)**	-
Written-off of trade receivables	**(1,517)**	(646)
	(2,704)	(812)

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expense on bank borrowing	**1,726**	1,726
Interest expense on bonds payables	**6,000**	6,000
Interest expense on lease liabilities	**2,404**	5,841
	10,130	13,567

8. INCOME TAX EXPENSES

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 years ended 31 December 2023 and 2022.

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 ("PRC Enterprise Income Tax") at 25% *(2022: 25%)*.

9. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year ended 31 December 2023 attributable to the equity holders of the Company of approximately HK$5,672,000 *(2022: approximately HK$4,760,000)* and on the weighted average number of approximately 290,110,000 ordinary shares *(2022: approximately 290,110,000 ordinary shares)* in issue during the year ended 31 December 2023.

Diluted earnings per share is the same as basic earnings per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 December 2023 and 2022.

10. DIVIDEND

No dividend was paid during the year *(2022: Nil)*, nor has any dividend been proposed since the end of the reporting period *(2022: Nil)*.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023	2022
	HK$'000	*HK$'000*
Trade receivables from third parties	**44,856**	54,015
Less: Loss allowance	**(314)**	(796)
	44,542	53,219
Loan receivables		
Loan and interest receivables from independent third parties	**-**	2,562
Less: Loss allowance	**-**	(2,540)
	-	22
Other receivables		
Other receivables	**252**	680
Rental deposits paid	**53,431**	53,673
Deposits and prepayments	**2,831**	3,540
Other deposit paid	**6,900**	6,900
	63,414	64,793
Sub-total	**107,956**	118,034
Less: Presented under non-current assets		
Rental deposits paid	**(195)**	(53,661)
Other deposit paid	**-**	(6,900)
	107,761	57,473

At 1 January 2022, trade receivables from contracts with customers amounted to approximately HK$56,136,000.

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:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**22,919**	23,391
31 to 60 days	**12,353**	15,486
61 to 90 days	**5,674**	6,318
91 to 120 days	**1,203**	3,052
More than 120 days	**2,393**	4,972
	44,542	53,219

12. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**4,590**	5,923
Other payables		
Accruals and other payables	**2,651**	2,846
Accrued staff costs	**4,218**	6,070
Bonds interest payables	**2,992**	2,992
	9,861	11,908
	14,451	17,831

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:

	2023	2022
	HK$'000	*HK$'000*
Within 30 days	**3,305**	4,357
31 to 60 days	**1,245**	1,511
61 to 90 days	**33**	50
91 to 120 days	**7**	5
	4,590	5,923

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the year ended 31 December 2023, the Group's total revenue amounted to approximately HK$298 million, representing an increase of about 9.2%, compared to approximately HK$273 million from the preceding year.

For the year ended 31 December 2023, the Group recorded a profit attributable to equity holders of the Company of approximately HK$5.7 million compared to the profit of approximately HK$4.8 million recorded in the year ended 31 December 2022, representing an increase of 18.8% over the same period of last year.

The Board considers that the slight increase in profit was primarily attributable to (i) the trading and sales of food and beverage business in Mainland China recorded a turnaround from loss to profit. Due to implementation of effective sales strategies, the revenue of this business increased significantly by approximately 100.6% as compared to 2022; and (ii) the one-off gain recorded due to the disposal of a subsidiary. The above favourable factors are partially offset by (iii) the decrease in revenue from cold storage and related services business by approximately 3.3% recorded in 2023 as compared to 2022; and (iv) the absence of government subsidy under the Employment Support Scheme received from the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") which was available in 2022.

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 2023, with the trend of travelling in Mainland China and oversea countries and consumption power released after the COVID-19, the consumptive power of Hong Kong citizens has been transferred to areas outside Hong Kong, which resulting in adverse effect on the demand of frozen food from the food and beverage ("F&B") catering. The Group recorded a decline of profit in cold storage and logistics during 2023, 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 manage foreseeable market rebound and 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 from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our warehouses. During the current year, we maintained good relationships and stable business volume with existing customers while continued to reach out and develop business with operators in these sectors.

The Group maintained warehouse disinfection and food package of cold stores at industry standard. We will continue to apply these hygienic 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 year. We adjusted prices with a higher rate to selected customers, and the management is also expecting an increase in business volume from customers who enjoyed unadjusted rates.

The Group had operated a bonded warehouse in Kwai Hei Street warehouse that mainly carries alcohol and tobacco products. Stable performance in the volume and the earnings were recorded during 2023.

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 2023, the Group continuously reviews and assesses its existing wholesale channels and products and had ceased certain distribution channels and products with lower margins while building higher margin ones, especially the network of convenient stores. Stringent cost control measures were implemented to maintain the segment's profitability at the same time. With these strategies, the Group successfully revamped a high margin product with a reputational supermarket brand during 2023. The convenient stores networks were also gradually expanded during the second half of the current year and yielded a good result in the 4th quarter. The Group recorded a profit in this segment in during the current year as a whole, compared to the loss in this segment for the same period of last year.

With the lift of prevention measures of COVID-19, the management observed and foresaw the fast changes of life style of mass market consumers in both Mainland China and Hong Kong. Swift response had been made by the management to cease the operation of the non-core Business to Customer ("B2C") business unit with a beverage product named "Attitude Planet" in Mainland China and the e-commerce grocery platform named "Urban Mart" in Hong Kong. The resources of the Group would be re-allocated to higher margin segments and core business.

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 manages its business and operation risks through diversifying its business portfolio, 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 US-China trade dispute and the uncertain economy in Mainland China and Hong Kong after the COVID-19 pandemic.

The Group is also cognisant 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 enacted financial prudence to safeguard the continual performance of our operation by reducing operating expense, by coping with small profit but rapid turnover and by conserving internal resources to counter any negative impact from the macroeconomic environment.

With the trend of travelling in Mainland China and oversea countries and consumption power released after the COVID-19, the consumptive power of Hong Kong citizens has been transferred to areas outside Hong Kong, which resulting in adverse effect on the demand of frozen food from F&B catering. As our cold storage business is highly related to the domestic market, the Group is experiencing the unexpected decline on the demand of frozen food.

Market risk is another area of threat we seek to control. 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 and customers portfolios, adopt high-margin products and switch to more effective sales channels when necessary, as we have been doing on our trading and sales segment.

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

PROSPECTS

With support from the Hong Kong Government, the resume of economic activities, such as plans to attract talents and tourists, it stimulates consumer's spending power and sentiment in domestic market. According to the advance estimated figure released on 28 February 2024 by the Census and Statistics Department of the Hong Kong Government, GDP increased by 3.2% throughout 2023.

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 together with measures to stimulate the economy taken by the Hong Kong Government and the Mainland China Government.

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 cold storage and 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 and timely 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. We would maintain the high margin channel with the reputational supermarket while keep exploring the mass network of convenience stores. The strategy 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 would also be continued to achieve further profitability.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

The Group is committed to developing a steady and progressive culture that is built on our existing Purpose, Vision and Values. We thrive to nurture innovation, and to exert the best substance from within the Group to customers and stakeholders that enables us to deliver long-term sustainable growth and evolvement. Over the past year, we have demonstrated our achievement on sustaining our cultural framework, in particular operational efficiency, labour performance and service excellence through various initiatives set out in the Business Review and the Environmental, Social and Governance Report sections in the Annual Report.

Our goal is to become the most trusted and efficient cold-chain infrastructure service provider in Hong Kong, by exercising our vision to offer quality cold-chain infrastructure to our customers such as food producers, distributors and trading companies, and to provide reliable food supply to our end-consumers in Hong Kong and worldwide. Our Group's value (reliability, safety, service excellence, and collaboration) provides us with guidance on reaching this goal. We are also seeking for suitable strategy partners to fuel the development of the Group.

We mainly measure our performance by references to, including but not limited to, revenue, revenue growth, gross profit margin, profit margin, gross profit by segment, operational efficiency and labour performance.

We measure and assess our culture by references to the staff turnover rate, whistleblowing data, feedback from our stakeholders through different forms, including annual performance appraisals, surveys and questionnaires, compliance with the regulations, internal control policies, and findings identified by our Internal Control Adviser.

To ensure that the desired culture and expected behaviors are clearly communicated to all employees, we circulate the latest code of conduct and corporate governance related internal control policies periodically and provide relevant training if necessary. We also hold routine meetings between (i) the management and the Board, (ii) the management and the employees at all levels, and (iii) the management and our stakeholders. Company's publications including annual report, interim report and circular are published on the Company's website.

Other than the abovementioned communication means, whistleblowing channels with involvement of Independent Non-executive Directors are implemented for sharing ideas and concerns on any misconduct or misalignment identified. Customers, subcontractors and employees are engaged annually in the form of evaluation forms or surveys to understand their opinion and concerns of our Group. We also welcome enquiries from stakeholders through an enquiry channel published on the Company's website. All misconduct or misalignment identified will be addressed. For details, please refer to sections headed "Risk Management and Internal Control" of Corporate Governance Report and "Anti-Corruption" of Environmental, Social and Governance Report of the Annual Report.

Competitive remuneration packages are provided to our employees and Board members with annual appraisals and performance evaluation being assessed. Please refer to sections headed "Employment and Remuneration Policy" of Management Discussion and Analysis and "Remuneration Policy" of Corporate Governance Report of the Annual Report. The Company's values and culture (including expected behaviors) are embedded in the recruitment criteria. Training and materials are provided to Directors and employees to refresh their knowledge, exercise their duties and develop the required competencies and, more broadly, the elements supporting a sound risk culture, including effective challenge and open communication.

With the above measures and cultures developed, we believe these can help improve our corporate governance and improve our Group's performance.

We believe generating long-term values for shareholders and stakeholders is the essence for the Group to sustain and grow. The Group has a manifesting and continuous strategy planning process to access, evaluate and identify our organisation's strengths and weaknesses, as well as opportunities and threats that the Group might be facing. We develop and implement strategies based on the results of our planning process, and to align the mindset of achievability that the executives and employees might perform.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2023	2022
Earnings per share – basic and diluted	HK cents	**1.96**	1.64
Net assets per share attributable to equity holders of the Company	HK cents	**7.19**	5.35
Current ratio	times	**0.87**	0.85
Total liabilities to total assets ratio	times	**0.92**	0.93
Gearing ratio	%	**167.9**	612.4
Return on equity ratio	%	**27.2**	30.7
Return on assets	%	**2.2**	1.8
Assets turnover ratio	times	**1.15**	0.93

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2023, the Group had bank and cash balances of approximately HK$62.0 million *(2022: approximately HK$60.4 million)*, which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$") as to approximately 73.5%, 10.0% and 16.5% *(2022: approximately 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 167.9% as at 31 December 2023 *(2022: approximately 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. As at 31 December 2023, the aggregate principal amount of bonds remaining outstanding was HK$100 million which is same as 31 December 2022.

As at 31 December 2023, bonds with principal amount of HK$100 million *(2022: HK$40 million)* will mature within twelve months from the end of the reporting period accordingly, classified as current. During the year ended 31 December 2023, the Company and the bondholders entered into agreements with principal amount of HK$40 million for a maturity date ranging from six months to one year. Subsequent to the end of the reporting period until the date of this announcement, the Company and the bondholders entered into agreements with principal amount of HK$40 million for a maturity date ranging from six months to maximum two years.

As at 31 December 2023, the Group had a bank borrowing of HK$35 million *(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.

During the year ended 31 December 2023, 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 year ended 31 December 2023, 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 31 December 2023, the total issued share capital of the Company was HK$2,901,104 *(2022: HK$2,901,104)* divided into 290,110,400 ordinary shares *(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 year ended 31 December 2023, 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
As at 31 December 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 *(2022: HK$3.5 million)* are secured by bank deposits amounting to HK$1.7 million *(2022: HK$1.7 million)*. The amount utilised at 31 December 2023 was approximately HK$1.4 million *(2022: approximately HK$1.4 million)*.

In addition, within the Group's lease liabilities of approximately HK$74.9 million *(2022: approximately HK$85.1 million)*, approximately HK$0.5 million *(2022: approximately HK$0.2 million)* was secured by a lessor's charge over the leased asset with carrying value of approximately HK$0.5 million *(2022: approximately HK$0.2 million)*.

Future plans for material investments or capital assets
As at 31 December 2023, the Group did not have any concrete future plans for material investments or capital assets.

Contingent liabilities
As at 31 December 2023, the Group did not have any contingent liabilities *(2022: Nil)*.

EMPLOYMENT AND REMUNERATION POLICY
As at 31 December 2023, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 170 and 30 respectively *(2022: approximately 180 Hong Kong employees; 40 Mainland China employees)*. Total staff related costs for the year ended 31 December 2023 amounted to approximately HK$66,095,000 *(2022: approximately HK$69,455,000)*. 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 31 December 2023 *(2022: 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 in Appendix C1 (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 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 year ended 31 December 2023, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan, Mr. Fung Pak Kei and Mr. Cheung Hoi Kin acted as Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company respectively. Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei are responsible for all day-to-day corporate management matters and Mr. Cheung Hoi Kin is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31 December 2023 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 C.2.7 of the CG Code.

On 22 February 2024, Mr. Fung Pak Kei has been appointed and re-designated from Chief Operating Officer to Chief Executive Officer of the Group.

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 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 31 December 2023, the Company did not comply with code provision F.2.2 of the CG Code. The Company had arranged for other Directors and management who are well-versed in the Company's business and affairs to attend the 2023 annual general meeting and communicate with the Shareholders.

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 C3 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 ended 31 December 2023. No incident of noncompliance was noted by the Company during the year ended 31 December 2023.

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

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

SCOPE OF WORK OF MAZARS CPA LIMITED

The figures in respect of the Company'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 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Mazars CPA Limited 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 2023 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. 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, 27 March 2024