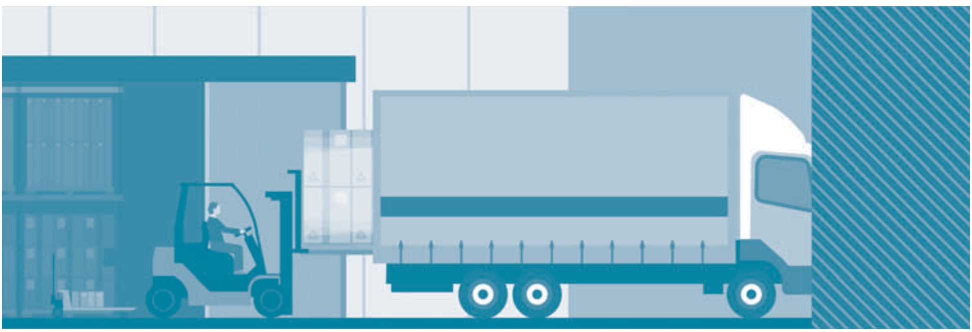
DAIDO

(Incorporated in Bermuda and its members' liability is limited)
（在百慕達成立為法團，而其成員的法律責任是有限度的）
Stock Code 股份代號：00544

DAIDO GROUP LIMITED
大同集團有限公司

Interim Report 中期報告 2019

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ho Hon Chung, Ivan
(Acting Chief Executive Officer)
Mr. Fung Pak Kei
(appointed with effect from 4th June, 2019)
Mr. Au Tat Wai
Mr. Choy Kai Sing
(resigned with effect from 4th June, 2019)

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

Clarendon House 2 Church Street
Hamilton HM 11 Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia)
Corporation Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking
Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank
(Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the six months ended 30th June, 2019, the Group's total revenue amounted to approximately HK$149 million, representing an increase of about 3.47%, compared to approximately HK$144 million from the same period last year.

During the current interim period, the Group recorded a loss of approximately HK$25.6 million compared to a loss of HK$17.1 million incurred in 2018. The losses during this period are primarily attributable to the losses from an associate of the Group and the relevant operating loss as the new warehouse has not yet fully operational.

Expanding the capacity of its warehousing facilities is one of the key measures taken by the Group to facilitate the segment's recovery. The Group believes that the investment in an associate would improve its cold storage business as well as its management efficiency and productivity in a long run. The profit margin of this segment is expected to improve when its new warehouse becomes fully operational. The Group has also sought to increase its profit margin for its cold storage business by different ways of expanding its clients portfolio.

REVIEW OF OPERATING SEGMENTS

The Group is principally engaged in cold storage and related business in Hong Kong; trading of food and beverage business in the mainland China; provision of money lending services in Hong Kong and investment holding.

Cold storage & logistics

Cold storage is a core business of the Group and its principal income contributor. Apart from warehousing and cold storage, the Group also provides transportation and distribution, container hauling and devanning, packaging and other related logistics services for customers.

During the interim period, the Group continued to see a stable performance of this core business. To foster a higher level of operational stability, the Group has extended the lease of its existing warehousing facility in Kwai Hei Street for an eight-year period since February 2019. As its cold storage facilities in this area have reached a full capacity, the Group has entered into a Joint Venture ("JV") Agreement and Management Service Agreement to operate a new warehouse in the Tsing Yi district. Since April 2019, this new facility has commenced operation on a trial basis.

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage & logistics (continued)

The Group's logistics arm, established to serve customers of its cold storage segment, experienced a stable business performance during the period under review. But its operation has been providing only minimal services because of the high operation cost for delivering goods to scattered locations all over Hong Kong.

Money lending

The Group's money lending segment was formed to support those of its cold storage & logistics customers in need of credit facilities. Though currently available, the service will be slowed down in the next six months. With this arrangement, more resources can be freed up and channeled into the further development of the Group's more promising segments including cold storage & logistics and trading of food and beverage products.

Trading of food and beverage products

The Group distributes food and beverage products through a network of supermarkets and convenience stores in the mainland China. In the first half of 2019, the segment recorded growing revenues and higher margin, but because of the fast-rising operation cost, the business results recorded are still below expectation.

Despite this, the Group has invested more resources, combined with a greater focus, to ensure the healthy growth of this segment, with the ambition of capturing a greater share of the mainland's food and beverage market in the long term.

In the first half of 2019, the Group had revamped the segment's business structure and streamlined its operation to facilitate improvements in efficiency and profitability. Furthermore, the Group has broadened and deepened its product offerings, including Australian-made fresh milk products and local branded fresh juices, in capturing the changing consumer preferences in the mainland.

PROSPECTS

Hong Kong's economic outlook has deteriorated rapidly since the end of the first half. Facing its slowest growth in two years, the local economy has been plagued with a weak retail volume and its merchandise exports dropped 9% in June over the same month a year earlier. The ongoing anti-extradition bill protests will further deepen its economic troubles and tarnish its business environment. The HKSAR government has also warned against the likelihood of rising unemployment should the uncertainties continue. The city's dependence on the mainland economy has also put it at risk of a financial crisis. China's 2019 economic growth is expected to slow to a 30-year low of 6.2 percent, on the back of downside risks and uncertainties from its trade standoff with the United States.

Given the economic pessimism facing Hong Kong and mainland China, the Group has adopted a highly cautious approach to conducting business. Correspondingly, all non-performing segments of the Group have been eliminated to devote more resources, attention and a singular focus to growing its most promising businesses. Following an internal review, it was found that the Group's business endeavours in cold storage & logistics and the trading of food and beverage products are the most stable with optimal chances for continual expansion.

Cold storage & logistics

The Group's cold storage business is recession-proof as the majority of products stored in its temperature-controlled warehouses are daily necessities, including meat, vegetables and other perishable edibles, which will be in constant demand regardless of how the local economy fares. Despite the gloomy market environment. It is believed that Hong Kong's cold storage sector will remain more resilient than others and be less exposed to potential economic fallout.

An associate has been established by the Group to oversee the operation and management of its new warehousing facility in Tsing Yi district with greater professionalism, efficiency and profitability. This business model will be fine-tuned from time to time and when the conditions are ripe, it will be implemented to spearhead the Group's business reach into mainland China.

In addition to its existing cold storage endeavours, the Group has begun operating a 50,000 sq. ft bonded warehouse in Tsuen Wan district to enable alcohol and tobacco distributors store their merchandise prior to full duty payment. By adopting this new strategy, the Group seeks to tap its core business segment for a new source of revenue and higher profitability.

PROSPECTS (continued)

Trading of food and beverage products

As a growth strategy, the Group is constantly diversifying and expanding the portfolio of food and beverage products distributed through its network of supermarkets and convenience stores on the mainland, catering to shifting customer tastes in this huge market.

Recently, it has started the distribution of beverage items of reputable brands from different countries and regions in the hope of gaining a larger market share. In the second half of 2019, the Group will continue to find some reputable branded beverage for mainland China's market.

In a move to internationalise its product range, the Group has been distributing fresh milk beverage products to a popular reception among mainland consumers, while representing a lineup of Korean dairy items.

Although the business performance of this segment was less than satisfactory in the period of review, the Group is optimistic that the continual diversification and broadening of its product range will contribute to profit margin improvements later in the year.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2019, the total number of full time employees of the Group in Hong Kong and mainland China were approximately 200 and 110 respectively (31st December, 2018: approximately 230 Hong Kong employees; 80 mainland China employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2019, the Group had cash and bank balances of approximately HK$120.4 million (31st December, 2018: approximately HK$55.9 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 94.89% and 5.11%, respectively. The increase was mainly due to decrease in loan receivables, release of one pledged bank deposit and the net cash from operating activities.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 64.2% as at 30th June, 2019 (31st December, 2018: approximately 55.1%). The increase of the gearing ratio was due to the decrease in the equity attributable to owners of the Company.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 30th June, 2019, it is noted that the bonds in an aggregate principal amount of HK$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31st December, 2018.

As at 30th June, 2019, the Group had a bank loan of HK$65 million (31st December, 2018: HK$65 million) denominated in HK$. The Group's bank borrowing interest rate is at 7% per annum and the maturity of borrowing is up to April 2020. The banking facility was fully utilised, which is the same as those as at 31st December, 2018.

During the current interim period, the Group's capital expenditure was mainly financed by finance leases, internal resources and bank borrowing.

FINANCIAL REVIEW (continued)

Treasury policies

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

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

Share capital structure

As at 30th June, 2019, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2018.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the current interim period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. Completion of the JV Agreement has taken place during the year ended 31st December, 2018 in accordance with the terms thereof.

FINANCIAL REVIEW (continued)

Charges on assets

As at 30th June, 2019, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3.5 million (31st December, 2018: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (31st December, 2018: HK$3.5 million). The amount utilised at 30th June, 2019 was approximately HK$3.5 million (31st December, 2018: approximately HK$3.5 million).

As at 30th June, 2019, bank deposits of approximately HK$65.6 million (31st December, 2018: approximately HK$105.4 million) are pledged to a bank, which provides bank guarantee in favour of one landlord for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, the Group's lease liabilities of approximately HK$0.19 million (31st December, 2018: approximately HK$0.29 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.27 million (31st December, 2018: approximately HK$0.6 million).

Future plans for material investments or capital assets

During the current interim period, the Group did not have any concrete future plans for material investments or capital assets save for the JV, which is the same as those as at 31st December, 2018.

Contingent liabilities

During the current interim period, the Group did not have any contingent liabilities (31st December, 2018: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Notes	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Revenue			
– Cold storage and related services		**104,339**	105,283
– Trading of food and beverage		**42,238**	33,931
– Money lending services		**2,333**	4,590
Total revenue	*3*	**148,910**	143,804
Direct costs		**(119,993)**	(128,114)
Gross profit		**28,917**	15,690
Other income	*4*	**3,151**	884
Selling and distribution expenses		**(9,300)**	(7,427)
Administrative expenses		**(24,316)**	(22,769)
Other gains and losses	*5*	**(716)**	(440)
Share of loss of an associate		**(11,767)**	–
Finance costs	*6*	**(11,562)**	(3,012)
Loss before tax		**(25,593)**	(17,074)
Taxation	*7*	**–**	–
Loss for the period	*8*	**(25,593)**	(17,074)
Other comprehensive income/(expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**117**	(330)
Total comprehensive expense for the period		**(25,476)**	(17,404)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Notes	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(25,593)**	(17,074)
Non-controlling interests		**–**	–
		(25,593)	(17,074)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(25,476)**	(17,404)
Non-controlling interests		**–**	–
		(25,476)	(17,404)
Loss per share – basic	*10*	**HK(1.05) cent**	HK(0.70) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	Notes	**30.6.2019 HK$'000 (unaudited)**	31.12.2018 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**8,871**	4,876
Right-of-use assets	*12*	**295,388**	–
Goodwill		**68**	68
Interest in an associate	*13*	**1,754**	10,998
Loan to an associate		**57,303**	47,525
Financial assets at fair value through profit or loss ("FVTPL")		**731**	731
Equity instrument at fair value through other comprehensive income ("FVTOCI")		**–**	–
Rental deposits paid		**14,595**	25,488
Pledged bank deposits		**65,568**	105,353
Loan receivables	*14*	**–**	28,000
		444,278	223,039
CURRENT ASSETS			
Inventories		**1,316**	1,207
Trade and other receivables, deposits and prepayments	*15*	**75,462**	74,873
Loan receivables	*14*	**24,741**	40,464
Bank balances and cash		**120,445**	55,898
		221,964	172,442

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2019

	Notes	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*16*	**35,183**	29,365
Contract liabilities		**4,863**	7,530
Bank borrowing		**65,000**	65,000
Lease liabilities	*18*	**60,339**	–
Obligations under finance leases		**–**	203
		165,385	102,098
NET CURRENT ASSETS		**56,579**	70,344
TOTAL ASSETS LESS CURRENT LIABILITIES		**500,857**	293,383
CAPITAL AND RESERVES			
Share capital	*17*	**24,323**	24,323
Share premium and reserves		**131,347**	157,331
Equity attributable to owners of the Company		**155,670**	181,654
Non-controlling interests		**3,163**	5,163
		158,833	186,817
NON-CURRENT LIABILITIES			
Lease liabilities	*18*	**234,477**	–
Derivative financial instruments	*19*	**7,547**	6,478
Obligations under finance leases		**–**	88
Bonds	*20*	**100,000**	100,000
		342,024	106,566
		500,857	293,383

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Other equity HK$'000	Capital reserve HK$'000 *(Note 1)*	FVTOCI reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2018 (audited)	24,323	374,226	39,984	–	(879)	(218,010)	219,644	14,923	234,567
Re-measurement (Note 2)	–	–	–	540	–	–	540	–	540
At 1st January, 2018 (restated)	24,323	374,226	39,984	540	(879)	(218,010)	220,184	14,923	235,107
Loss for the period	–	–	–	–	–	(17,074)	(17,074)	–	(17,074)
Other comprehensive expense for the period	–	–	–	–	(330)	–	(330)	–	(330)
Total comprehensive expense for the period	–	–	–	–	(330)	(17,074)	(17,404)	–	(17,404)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(9,760)	(9,760)
At 30th June, 2018 (unaudited)	24,323	374,226	39,984	540	(1,209)	(235,084)	202,780	5,163	207,943
At 31st December, 2018 (audited)	**24,323**	**374,226**	**39,984**	**(110,078)**	**(1,475)**	**(145,326)**	**181,654**	**5,163**	**186,817**
Adjustments (Note 3)	**–**	**–**	**–**	**–**	**22**	**(8,530)**	**(8,508)**	**–**	**(8,508)**
At 1st January, 2019 (restated)	**24,323**	**374,226**	**39,984**	**(110,078)**	**(1,453)**	**(153,856)**	**173,146**	**5,163**	**178,309**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(25,593)**	**(25,593)**	**–**	**(25,593)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**117**	**–**	**117**	**–**	**117**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**117**	**(25,593)**	**(25,476)**	**–**	**(25,476)**
Return on equity instrument at FVTOCI	**–**	**–**	**–**	**8,000**	**–**	**–**	**8,000**	**–**	**8,000**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,000)**	**(2,000)**
At 30th June, 2019 (unaudited)	**24,323**	**374,226**	**39,984**	**(102,078)**	**(1,336)**	**(179,449)**	**155,670**	**3,163**	**158,833**

Note:

1. On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company was consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction"). The credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

2. This represented the fair value gain relating to the available-for-sale investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI and FVTOCI reserve at 1st January, 2018 upon the application of HKFRS9.

3. This represented the effect to the reserves at 1st January, 2019 upon the application of HKFRS16. Please refer to note 2 to the notes to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

	Six months ended	
	30.6.2019	30.6.2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**82,454**	(44,471)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(6,260)**	(1,334)
Purchase of Right-of-use assets	**(325)**	–
Loan advance to an associate	**(10,957)**	–
Release of pledged bank deposits	**39,785**	–
Dividend income from equity instrument at FVTOCI	**8,000**	–
Distribution to non-controlling interest	**(2,000)**	–
Interest received	**535**	511
Proceeds on disposal of property, plant and equipment	**–**	53
	28,778	(770)
NET CASH USED IN FINANCING ACTIVITIES		
Payment for principal element of lease liabilities	**(42,292)**	–
Rental deposits paid	**(2,294)**	–
Rental deposit received	**9,946**	–
Payment of obligations under finance leases	**–**	(442)
Interest paid for lease liabilities	**(6,179)**	–
Interest paid for bank loans and bonds	**(5,983)**	(3,612)
	(46,802)	(4,054)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**64,430**	(49,295)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**55,898**	94,792
Effect of foreign exchange rate changes	**117**	(330)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**120,445**	45,167

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("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 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 new and 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 30th June, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which result in changes in accounting policies and amount reported as described below.

Except as described below, application of the new and amendments to HKFRSs and the interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these condensed financial statements.

HKFRS 16

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases – Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1st January, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 at the date of initial application.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

HKFRS 16 (continued)

The transition effects arising from the adoption of HKFRS 16 are presented below.

STATEMENT OF FINANCIAL POSITION (extract)	31.12.2018 (as previously reported) HK$'000 (audited)	Effects of adopting HKFRS 16 "Lease" HK$'000 (unaudited)	1.1.2019 HK$'000 (unaudited)
NON-CURRENT ASSETS			
Property, plant and equipment	4,876	(507)	4,369
Right-of-use assets	–	310,825	310,825
Rental deposits paid	25,488	(3,321)	22,167
Interest in an associate	10,998	(532)	10,466
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	74,873	(19)	74,854
CURRENT LIABILITIES			
Obligation under finance leases	203	(203)	–
Lease liabilities	–	65,959	65,959
CAPITAL AND RESERVES			
Share premium and reserves	157,331	(8,508)	148,823
NON-CURRENT LIABILITIES			
Obligation under finance leases	88	(88)	–
Lease liabilities	–	249,286	249,286

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings and motor vehicles. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal to the lease assets and liabilities recognised under HKAS 17). The requirements of HKFRS 16 were applied to these leases from 1st January, 2019.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1st January, 2019 was 4.63%.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases previously classified as operating leases (continued)

The lease liabilities as at 1st January, 2019 can be reconciled to the operating lease commitments as of 31st December, 2018 as follows:

	HK$'000
Operating lease commitments as at 31st December, 2018	344,053
Weighted average incremental borrowing rate as at 1st January, 2019	4.63%
Discounted operating lease commitments as at 1st January, 2019	314,954
Add:	
Obligation under finance leases reclassified as lease liabilities	291
Lease liabilities as at 1st January, 2019	315,245

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

The impact of the adoption of HKFRS 16 “Leases” to the financial statements for six months ended and as at 30th June, 2019 is disclosed below which includes the full statement of profit or loss and other comprehensive income and those affected line items on the statement of financial position and statement of cash flows.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Before adopting HKFRS 16 "Lease" HK$'000 (unaudited)	Effects of adopting HKFRS 16 "Lease" HK$'000 (unaudited)	**As reported for six months ended 30.6.2019 HK$'000 (unaudited)**
Total revenue	148,910	–	**148,910**
Direct costs	(131,695)	11,702	**(119,993)**
Gross profit	17,215	11,702	**28,917**
Other income	2,753	398	**3,151**
Selling and distribution expenses	(9,300)	–	**(9,300)**
Administrative expenses	(24,358)	42	**(24,316)**
Other gains and losses	(716)	–	**(716)**
Share of loss of an associate	(11,072)	(695)	**(11,767)**
Finance costs	(5,387)	(6,175)	**(11,562)**
Loss before tax	(30,865)	5,272	**(25,593)**
Taxation	–	–	**–**
Loss for the period			
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations	117	–	**117**
Total comprehensive expense for the period	(30,748)	5,272	**(25,476)**

2. PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF FINANCIAL POSITION (extract)	Before adopting HKFRS 16 "Lease" HK$'000 (unaudited)	Effects of adopting HKFRS 16 "Lease" HK$'000 (unaudited)	**As reported at 30.6.2019 HK$'000 (unaudited)**
NON-CURRENT ASSETS			
Property, plant and equipment	9,459	(588)	**8,871**
Right-of-use assets	–	295,388	**295,388**
Rental deposits paid	17,836	(3,241)	**14,595**
Interest in an associate	2,981	(1,227)	**1,754**
CURRENT ASSETS			
Trade and other receivables, deposits and prepayments	75,506	(44)	**75,462**
CURRENT LIABILITIES			
Trade and other payable	36,285	(1,102)	**35,183**
Obligation under finance leases	180	(180)	**–**
Lease liabilities	–	60,339	**60,339**
CAPITAL AND RESERVES			
Share premium and reserves	134,574	(3,236)	**131,338**
NON-CURRENT LIABILITIES			
Obligation under finance leases	10	(10)	**–**
Lease liabilities	–	234,477	**234,477**

2. PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF CASH FLOWS (extract)	Before adopting HKFRS16 "Lease" HK$'000 (unaudited)	Effects of adopting HKFRS 16 "Lease" HK$'000 (unaudited)	**As reported at 30.6. 2019 HK$'000 (unaudited)**
Net cash from operating activities	34,088	48,366	**82,454**
Net cash from investing activities	28,778	–	**28,778**
Net cash from (used in) financing activities	1,564	(48,366)	**(46,802)**
Net increase in cash and cash equivalents	64,430	–	**64,430**

3A. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation or assessment of segment performance focuses on types of services delivered or provided. No operating segment 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 mainland China ("Trading of food and beverage")

3. Money lending services in Hong Kong ("Money lending services")

3A. SEGMENT INFORMATION (continued)

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

Six months ended 30.6.2019 (unaudited)

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	104,339	42,238	2,333	148,910
Segment (loss) profit	(11,622)	(4,621)	1,170	(15,073)
Unallocated income				533
Unallocated expenses				(8,118)
Change in fair value of derivative financial instruments				(1,069)
Finance costs				(1,866)
Loss before tax				(25,593)

3A. SEGMENT INFORMATION (continued)

Six months ended 30.6.2018 (unaudited)

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	105,283	33,931	4,590	143,804
Segment (loss) profit	(5,266)	(6,947)	1,588	(10,625)
Unallocated income				502
Unallocated expenses				(6,150)
Change in fair value of financial assets at FVTPL				(72)
Finance costs				(729)
Loss before tax				(17,074)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administration costs including partly auditor's remuneration and directors' remuneration, change in fair value of derivative financial instruments, change in fair value of financial assets at FVTPL and finance costs. This is the measure reported to the chief operating decision makers and the executive directors, for the purposes of resource allocation and performance assessment.

3A. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
SEGMENT ASSETS		
Cold storage and related services	**424,201**	146,447
Trading of food and beverage	**28,106**	16,075
Money lending services	**24,821**	68,546
Total segment assets	**477,128**	231,068
Unallocated assets	**189,114**	164,413
Consolidated assets	**666,242**	395,481
SEGMENT LIABILITIES		
Cold storage and related services	**381,231**	91,408
Trading of food and beverage	**21,522**	10,851
Money lending services	**27,569**	71,309
Total segment liabilities	**430,322**	173,568
Unallocated liabilities	**77,087**	35,096
Consolidated liabilities	**507,409**	208,664

3B. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	For the six months ended 30.6.2019	
	Cold storage and related services HK$'000	Trading of food and beverage HK$'000
Types of goods or services		
Revenue from cold storage and related services		
Cold storage	76,481	–
Loading and handling services	2,179	–
Logistic and packing services	25,679	–
	104,339	–
Revenue from trading of food and beverage	–	42,238
Total	104,339	42,238
Geographical markets		
Mainland China	–	42,238
Hong Kong	104,339	–
Total	104,339	42,238
Timing of revenue recognition		
A point in time	–	42,238
Over time	104,339	–
Total	104,339	42,238

4. OTHER INCOME

	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Bank interest income	**535**	511
Interest income on loan to an associate	**1,877**	–
Interest income on right-of-use assets	**398**	–
Sundry income	**341**	373
	3,151	884

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Change in fair value of financial assets at FVTPL and held for trading investments	**–**	(72)
Change in fair value of derivative financial instruments	**(1,069)**	–
Gain (loss) on disposals of property, plant and equipment	**(177)**	52
Reversal of Impairment loss on trade receivable	**28**	–
Reversal of Impairment loss on loan receivable	**502**	–
Impairment loss on property, plant and equipment	**–**	(420)
	(716)	(440)

6. FINANCE COSTS

	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Interest expenses on lease liabilities	**6,179**	–
Interest expenses on unsecured bank loan	**2,383**	–
Interest on obligations under finance leases	–	12
Interest on bonds	**3,000**	3,000
	11,562	3,012

7. TAXATION

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits Tax and EIT is required as the individual companies comprising the Group either incurred a loss or had tax losses offset the assessable profits.

8. LOSS FOR THE PERIOD

	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Loss for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment		
– owned property, plant and equipment	**1,581**	2,408
– right-of-use assets	**37,943**	–
Net foreign exchange gain	**30**	124

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. LOSS PER SHARE

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

	Six months ended 30.6.2019 HK$'000 (unaudited)	Six months ended 30.6.2018 HK$'000 (unaudited)
Loss for the purpose of basic loss per share, attributable to owners of the Company	**(25,593)**	(17,074)

10. LOSS PER SHARE (continued)

	’000	’000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,432,304**	2,432,304

The effect of the application of HKFRS 16 on the loss per share attributable to the owners of the Company is as follows:

The loss per share attributable to the owners of the Company	
Before the adoption of HKFRS 16	HK1.27 cents
After the adoption of HKFRS 16	HK1.05 cents
Decrease in loss per share	HK0.22 cents

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased approximately HK$6,260,000 (six months ended 30th June, 2018: HK$1,334,000) on additions of property, plant and equipment.

The directors conducted a review of the Group’s property, plant and equipment, and determined that the recoverable amount of certain assets under trading of food and beverage segment was minimal. Full impairment loss in respect of these assets of HK$Nil has been recognised in profit or loss for the six months ended 30th June, 2019 (six months ended 30th June, 2018: HK$420,000).

Upon the application of HKFRS 16 Leases, the carrying amount of leasehold improvement of HK$114,000 and motor vehicles of HK$393,000 have been reclassified as right-of-use assets at 1st January, 2019.

12. RIGHT-OF-USE ASSETS

	Leasehold improvements HK$'000	Buildings HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:				
At 31st December, 2018 (audited)	–	–	–	–
Adjustment *(Note 2)*	21,017	1,065,485	1,254	1,087,756
At 1st January, 2019 (restated)	21,017	1,065,485	1,254	1,087,756
Additions	325	22,168	–	22,493
Write off	(11,825)	(762,836)	–	(774,661)
Exchange difference	–	16	–	16
At 30th June, 2019 (unaudited)	9,517	324,833	1,254	335,604
DEPRECIATION:				
At 31st December, 2018 (audited)	–	–	–	–
Adjustment *(Note 2)*	(20,903)	(755,170)	(861)	(776,934)
At 1st January, 2019 (restated)	(20,903)	(755,170)	(861)	(776,934)
Provided for the period	(118)	(37,700)	(125)	(37,943)
Eliminated on disposals	11,825	762,836	–	774,661
Exchange difference	–	–	–	–
At 30th June, 2019 (unaudited)	(9,196)	(30,034)	(986)	(40,216)
CARRYING VALUES:				
At 30th June, 2019 (unaudited)	321	294,799	268	295,388

The group leases various offices, warehouses and motor vehicles. Rental contracts are typically made for fixed period of 2 to 8 years and may have extension options and option to terminate. Leases terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Until the 2018 financial year, the payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

13. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Cost of investment in an associate	–*	–
Fair value adjustment on non-current interest-free loan to an associate	22,074	19,019
Share of post-acquisition loss and other comprehensive expense	(20,320)	(8,021)
	1,754	10,998
Loan to an associate	57,303	47,525

* Less than HK$1,000

Name of associate	Country of incorporation/ principal place of business	Proportion of ownership interest held by the Group 2019 %	2018 %	Proportion of voting rights held by the Group 2019 %	2018 %	Principal activities
Direct associate						
Loving Peace International Limited ("Loving Peace")	British Virgin Islands/ Hong Kong	30	30	20	20	Investment holding
Indirect associate						
Brilliant Cold Chain Solutions Limited ("BCCS") (formerly known as "Brightway Logistics Limited")	Hong Kong	30	30	20	20	Cold storage and related services

13. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE (continued)

The Group holds 30% of the issued share capital of Loving Peace. Under the investment agreement, the Group and the other two shareholders has the rights to nominate or appoint one and four directors to the board of directors of Loving Peace, respectively, in which the Group has 20% of the voting right of Loving Peace. The directors of the Company consider that the Group does not have significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Loving Peace, accordingly, the investment is classified as associate.

At 30th June, 2019, loan to an associate is unsecured, interest-free and is not expected to be repaid within one year after the reporting period. Fair value of the loan to the associate on initial recognition is determined based on effective interest rate of 7% per annum. The difference between the principal amount of the advance and its fair value determined on initial recognition amounting to HK$22,074,000 (31.12.2018: HK$19,019,000), has been included in the investment cost in an associate as deemed contribution to the associate.

Summarised financial information of an associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

13. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE (continued)

Summarised financial information of an associate (continued)

Consolidated financial information regarding Loving Peace and its subsidiary is set out below:

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Current assets	**13,476**	3,624
Non-current assets	**355,808**	158,942
Current liabilities	**66,806**	23,176
Non-current liabilities	**313,726**	119,692
Revenue	**14,898**	–
Loss and other comprehensive expense for the period/year	**(39,226)**	26,736

13. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE (continued)

Summarised financial information of an associate (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	30.06.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Net (liabilities)/assets of the associate	**(11,248)**	19,698
Proportion of the Group's ownership interest in the associate	**30%**	30%
The Group's share of net (liabilities) assets of the associate	**(3,374)**	5,909
Other adjustment	**5,128**	5,089
Carrying amount of the Group's interest in the associate	**1,754**	10,998

14. LOAN RECEIVABLES

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Loan receivables	**25,086**	69,313
Less: Allowance for credit loss	**(345)**	(849)
	24,741	68,464
Secured loans	**21,736**	65,973
Unsecured loans	**3,005**	2,491
	24,741	68,464
Less: Amount due within one year and classified under current assets	**(24,741)**	(40,464)
Amount due after one year	**–**	28,000

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK$21,736,000 (31.12.2018: HK$47,269,000) The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. The remaining loan receivables are unsecured.

Secured loan receivables carry fixed-rate interests ranging from 11% to 12% (31.12.2018: at 11% to 15%) per annum and with maturity ranging from 6 months to 1 years (31.12.2018: 1 year to 3 years). Unsecured loan receivables carry fixed-rate interests ranging from 11% to 12% (31.12.2018: 11% to 12%) per annum and with maturity ranging from 6 months to 3 years (31.12.2018: 6 months to 3 years). All amounts of principal will be receivable on respective maturity dates.

15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK$67,390,000 (31.12.2018: HK$67,423,000).

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

	30.6.2019 **HK$'000** **(unaudited)**	31.12.2018 HK$'000 (audited)
0–30 days	**18,040**	24,926
31–60 days	**23,072**	20,010
61–90 days	**11,386**	10,446
91–120 days	**7,166**	6,168
More than 120 days	**7,726**	5,873
	67,390	67,423

16. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$18,735,000 (31.12.2018: HK$13,484,000).

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

	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
0–30 days	**5,717**	7,626
31–60 days	**1,301**	2,479
61–90 days	**3,314**	629
91–120 days	**7,230**	2,103
More than 120 days	**1,173**	647
	18,735	13,484

17. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of Shares	Amount	Number of Shares	Amount
	’000	HK$’000	’000	HK$’000
Ordinary shares of HK$0.01 each				
At 1st January, 2018, 30th June, 2018, 31st December, 2018 and 30th June, 2019	60,000,000	600,000	2,432,304	24,323

18. LEASE LIABILITIES

	HK$’000
At 1st January, 2019 (Note 2)	**315,245**
Additions	**21,850**
Repayments	**(42,292)**
Exchange difference	**13**
At 30th June, 2019	**294,816**
Current liabilities	**60,339**
Non-current liabilities	**234,477**
	294,816

19. DERIVATIVE FINANCIAL INSTRUMENTS

On 6th September, 2018, the Group entered into an agreement with two independent investors, in which the Group, and the two investors were committed to invest 30%, 60% and 10% of the shareholdings in Loving Peace, an associate of the Group, respectively. In accordance with the agreement, the Group grants two put options to the investor who invests 60% of the shareholding of in Loving Peace ("Investor A") as follow:

(1) The Group grants to Investor A an option whereby Investor A has the right to require the Group to purchase from Investor A all or part of its shares in Loving Peace ("the "Relevant Shares") and the Investor A's committed loan advanced to Loving Peace and its subsidiaries, amounted to US$5,000,000, and outstanding time to time (the "Shareholder Loan"), at the exercise price determined in the agreement (the "First Put Option"). The First Put Option shall be exercisable by Investor A in the event that the Group, as a manager, fails to meet the key performance indicators (the "KPIs") of BCCS in accordance with a management service agreement, which entered into by BCCS and the Group, for three consecutive quarters within thirty-six months after the date of management service agreement. The First Put Option shall be exercisable by Investor A within thirty-six months after the date of the management service agreement.

Under the First Put Option, the price of the Relevant Shares and Shareholder Loan shall be determined based on the pro-rata share of the valuation of Loving Peace which is the higher of (i) the total investment amount, which is US$33,000,000 in accordance with the agreement, plus any additional investments with an annual return of 15% and (ii) the fair value of the equity in Loving Peace and the Shareholder Loan.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(2) The Group grants to Investor A an option whereby Investor A has the right to require the Group to purchase from Investor A all or part of its Relevant Shares and Shareholder Loan, at the exercise price determined in the agreement (the "Second Put Option"). The Second Put Option shall be exercisable by Investor A after the expiration of thirty-six months after the date of the agreement, irrespective of whether the Group is able to meet the KPIs.

Under the Second Put Option, the price of the Relevant Shares and the Shareholder Loan shall be equal to the summation of the outstanding amount of the Shareholder Loan and US$1,000,000 (or if Investor A subsequently disposed of its shares, US$1,000,000 multiplied by the number of shares held by Investor A at the time when Investor A exercises the Second Put Option divided by the number of shares held by Investor A upon completion of share subscription in accordance with the agreement).

In determining the fair value of the options, the board of directors of the Company has delegated the Chief Financial Officer of the Company ("CFO") to determine the appropriate valuation techniques and inputs for fair value measurements.

20. BONDS

The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. The maturity dates are the seventh anniversary of the dates of issue of the relevant bonds ranging from November 2021 to May 2022.

21. PLEDGE OF ASSETS

As at 30th June, 2019, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3,500,000 (31.12.2018: HK$3,500,000) were secured by bank deposits amounting to HK$3,500,000 (31.12.2018: HK$3,500,000). The amount of guarantee issued at 30th June, 2019 was HK$3,480,000 (31.12.2018: HK$3,480,000).

As at 30th June, 2019, bank deposits of HK$62,068,000 (31.12.2018: HK$101,853,000) are pledged to a bank, which provides bank guarantees in favour of one landlord for a sum equivalent to twelve months' rent payable by the Group under tenancy agreements.

In addition, the Group's lease liabilities of HK$190,000 (31.12.2018: HK$291,000) are secured by the lessor's charge over the leased assets amounted to HK$268,000 (31.12.2018: HK$644,000).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

	Fair Value hierarchy	30.6.2019 HK$'000 (unaudited)	31.12.2018 HK$'000 (audited)
Financial assets at FVTPL/ held-for-trading investments			
Equity securities listed in Hong Kong *(Note 1)*	Level 1	**731**	731
Equity instrument at FVTOCI			
Unlisted equity instrument *(Note 2)*	Level 3	**–**	–
Financial liabilities			
Derivative financial liability *(Note 3)*	Level 3	**7,547**	6,478

Notes:

1. The fair value of listed equity securities is determined with reference to quoted market bid prices from the stock exchange.

2. Since the underlining companies in the equity instrument at fair value through other comprehensive income remain inactive and has insignificant amount of net asset value as at 30th June, 2019. The directors of the Company considered that the fair value of the equity instrument is minimal.

3. The fair value of derivative financial instrument was calculated using Binomial Model. The significant unobservable input mainly include expected volatility of 39.16% (31.12.2018: 35.75%), taking account into volatility of other comparable listed companies in Hong Kong. A slight increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the derivative, and vice versa. A 3% increase/decrease in the volatility holding all other variables constant would increase the carrying amount of the derivative by HK$1,083,000 (31.12.2018: HK$1,097,000)/decrease the carrying amount of the derivative by HK$1,068,000 (31.12.2018: HK$1,071,000).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st January, 2019	–	6,478	6,478
Change in fair value	–	1,069	1,069
At 30th June, 2019	–	7,547	7,547

23. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

1. On 1st August, 2018, the Group entered into a consulting service agreement with one of the shareholders, which is wholly owned by Mr. Fung Pak Kei (an Executive Director of the Company), of an associate of the Group for provision of business consulting advice in relation to the Group's trading of food and beverage business in the PRC for a period from 1st August, 2018 to 30th June, 2019 at a fee of HK$200,000 per quarter. During the six months ended 30th June, 2019, the corresponding consulting fee expense incurred amounted to HK$333,000 was recognised in profit or loss. The Consulting Service Agreement has been terminated on 31st May, 2019 before the appointment of Mr. Fung Pak Kei.

Save as disclosed above, the significant related party transactions (that do not fall under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules) carried out in the normal course of the Group's business and on an arm's length basis, were as follows:

23. RELATED PARTY TRANSACTIONS (continued)

2. A subsidiary entered into the Management Service Agreement with the Group's associate in accordance with the terms of the JV Agreement dated 6th September, 2018 to operate the cold storage business and a subsidiary shall assist the Group's associate for the daily operations of the cold storage business. The Group's associate shall pay to a subsidiary a monthly management fee for its services. During the six months ended 30th June, 2019, the management fee incurred amounted to HK$2,254,000 was recognised in profit or loss.

3. Key management compensation (including Directors' emoluments)

	Six months ended 30th June	
	2019	2018
	HK$'000	HK$'000
Directors' fees	**421**	408
Other emoluments		
– Salaries and other benefits	**2,980**	2,557
– Performance related bonuses	**410**	595
– Contributions to retirement benefits scheme	**156**	123
Total emoluments	**3,967**	3,683

The Group did not enter into any other transaction with its related parties during the six months ended 30th June, 2019.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2019, save as disclosed below, none of the Company's Directors or chief executives of the Company nor their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to notify the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Associated corporation of the Company

Mr. Fung Pak Kei was deemed to be interested in shares of the following associated company of the Company through corporation controlled by him:

Name of associated corporation	No. of shares held	Percentage of total issued share capital
Loving Peace International Limited *(Note 1)*	20	10%

Notes:

1. Loving Peace International Limited ("Loving Peace") is a company incorporated in the British Virgin Islands with limited liability and is owned as to 30% by the Group and as to 10% GIK Business Consulting Limited. The entire issued share capital of GIK Business Consulting Limited ("GIK") is beneficially owned by Mr. Fung Pak Kei, an Executive Director of the Company.

2. The 10% shareholdings of Loving Peace were held by GIK directly. Loving Peace is the sole shareholder of Brilliant Cold Chain Solutions Limited.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Interests of Substantial Shareholders

As at 30th June, 2019, save as disclosed below, so far as is known to the Company's Directors and chief executives of the Company, no person (other than the Company's Director or a chief executive of the Company) had an interest or short position in any shares or underlying shares of the Company which will fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO and no person (other than the Company's Director or a chief executive of the Company), had an interest or short position in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

Long positions of the substantial shareholder in the shares of the Company:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited *(Note 1)*	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing *(Note 1)*	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited *(Note 2)*	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited *(Note 2)*	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan *(Note 2)*	Interest of controlled corporation	140,000,000	5.76%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an Executive Director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in the 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme

At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Scheme") and the termination of the share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). The 2015 Scheme became effective on 2nd June, 2015 (the "Adoption Date") and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from the Adoption Date. Since the Adoption Date, the Board may, at its discretion, grant share options to any eligible participants to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the 2015 Scheme.

No share option was outstanding as at 1st January, 2019 and 30th June, 2019 and no share option was granted under the 2015 Scheme during the period since adoption.

COMPETING INTERESTS

Save for the interest of Mr. Fung Pak Kei, an Executive Director of the Company, as disclosed in the section headed "Disclosure of Interests" in this report and the connected transactions as disclosed in the section headed "Connected Transaction Pursuant to Rule 14A.32 of the Listing Rules" in the announcement of the Company dated 4th June, 2019, none of the Directors or the controlling shareholders of the Company nor their respective close associates as defined in the Listing Rules had any interest in business that competes or might compete with business of the Group during the six months ended 30th June, 2019.

CONNECTED TRANSACTIONS AND DIRECTORS' INTEREST IN CONTRACTS

Details of connected transactions under Chapter 14A of the Listing Rules are set out on Note 23 to this report and disclosed in the section headed "Connected Transaction Pursuant to Rule 14A.32 of the Listing Rules" in the announcement of the Company dated 4th June, 2019. The Board (including the independent non-executive Directors) considers that the terms of the connected transactions are fair and reasonable and are on normal commercial terms and in the interest of the Company and its shareholders as a whole.

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 30th June, 2019.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

For the first half of 2019, the Board of the Directors 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. Au Tat Wai ("Mr. Au") and Mr. Choy Kai Sing ("Mr. Choy") acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au is responsible for all day-to-day corporate management matters and Mr. Choy is responsible for corporate financial matters. In June 2019, Mr. Au was resigned as the Chief Executive Officer and Mr. Ho Hon Chung, Ivan, currently, is an Executive Director of the Company, has been appointed as Acting Chief Executive Officer and is responsible for all day-to-day corporate management matters in place of Mr. Au.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange 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").

CORPORATE GOVERNANCE (continued)

Model Code for Securities Transactions by Directors (continued)

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 30th June, 2019 with the Directors. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30th June, 2019 comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure has been made.

The Audit Committee comprises all of the 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 are 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 the strengthening of reporting lines of senior management. As a routine procedure and part of the RM and IC Systems, Executive Directors and the senior management meet regularly to review the financial and operating performance of the key operating subsidiaries. Senior management of each department is also required to keep Executive Directors informed of material developments of the department's business as well as implementation of the strategies and policies set by the Board on a regular basis.

CORPORATE GOVERNANCE (continued)

Risk Management and Internal Control (continued)

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 30th June, 2019, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year's RM and IC systems appraisal plan. The scope of the current fiscal year's RM and IC systems appraisal plan focuses on reviewing (i) the operating controls of the cold storage and related services segment in Hong Kong (Revenue, Purchase and Expenditure cycles); (ii) design of the operating controls of the cold storage and related services segment, in Hong Kong (Property, plant and equipment cycle; Inventories cycle; Human resources cycle; and Cash management and Treasury cycle); and (iii) follow up on the recommendations in the 2018 report.

During the six months ended 30th June, 2019, 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. Moreover, the existing RM and IC Systems are effective and adequate, and will continue to be reviewed, strengthened or updated in response to changes in the operating environment.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Upon specific enquiry by the Company and following confirmations from Directors, save as disclosed as follows, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the Company's last published annual report.

(1) Changes in Positions held with the Company

(i) Mr. Ho Hon Chung, Ivan, an existing Executive Director of the Company, has been appointed as the Acting Chief Executive Officer and an Authorised Representative of the Company with effect from 4th June, 2019. Since June 2019, Mr. Ho also has been appointed as a director of Loving Peace International Limited ("Loving Peace") and Brilliant Cold Chain Solutions Limited ("BCCSL"), those are indirect associates of the Company.

(ii) Mr. Fung Pak Kei has been appointed as Executive Director of the Company with effect from 4th June, 2019. Subsequently, he has been appointed as Chief Operating Officer with effect from 15th June, 2019.

Before joining the Group, Mr. Fung already is a director of Loving Peace and as the chief financial officer, chief operations officer and a director of BCCSL. Mr. Fung founded GIK Business Consulting Limited ("GIK"), which is one of the shareholders of Loving Peace, and also is a director of GIK.

(iii) Mr. Au Tat Wai has resigned as the Chief Executive Officer and an Authorised Representative of the Company with effect from 4th June, 2019 in order to focus on his duties as the Executive Director. Mr. Au will continue to be an Executive Director of the Company after his resignation as the Chief Executive Officer and Authorised Representative of the Company.

CHANGES IN THE INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES (continued)

(1) Changes in Positions held with the Company (continued)

(iv) Mr. Choy Kai Sing has resigned as Executive Director of the Company with effect from 4th June, 2019 so as to allow him more time to concentrate on corporate financial and corporate governance matters of the Group. Mr. Choy will continue to be the Chief Financial Officer, Company Secretary and Authorised Representative of the Company after his resignation as the Executive Director of the Company.

Please refer to the announcement of the Company dated 4th June, 2019 for further details of the appointments and the resignations.

(2) Changes in Emoluments

Given below is the latest information regarding the Directors' annual emoluments, calculated on an annualised basis for the financial year ending 31st December, 2019, of those below Directors of the Company for whom there have been changes of amounts of emoluments since the Company's last published annual report.

		HK$'000
(i)	Mr. Fung Wa Ko	155 (2018: 120)
(ii)	Mr. Fung Siu Kit, Ronny	155 (2018: 120)
(iii)	Mr. Leung Chi Hung	155 (2018: 120)
(iv)	Mr. Tse Yuen Ming	155 (2018: 120)

Note:

The monthly emoluments of all those above Directors have been revised to HK$15,000 with effect from 1st June, 2019.