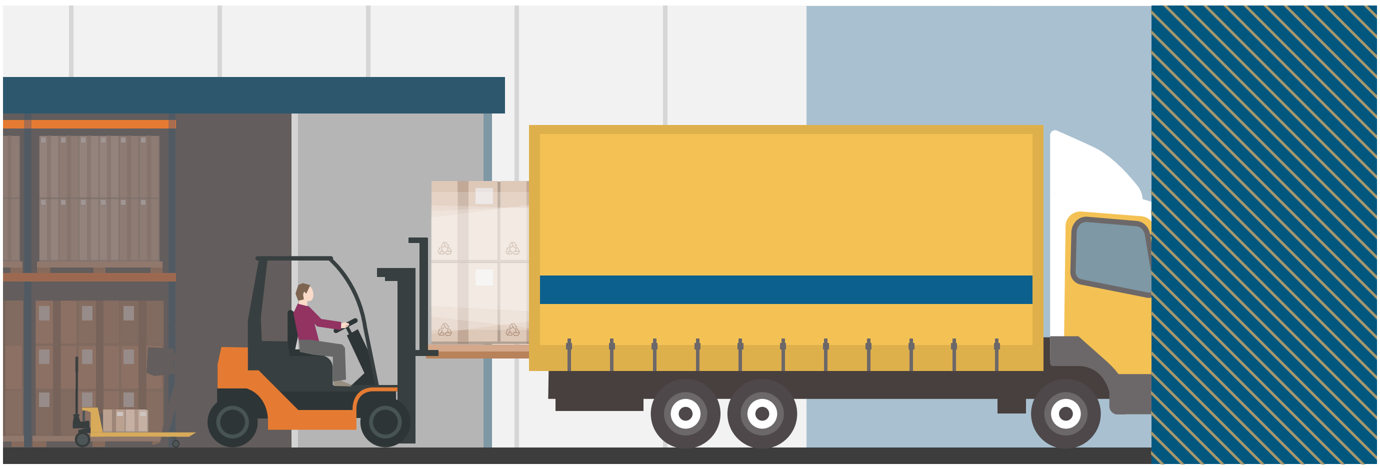
DAIDO

(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



Annual Report 年報 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*
Mr. Fung Pak Kei

Non-executive Directors
Mr. Au Tat Wai
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

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Clarendon House
2 Church Street
Hamilton HM 11
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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Unit No. 1301, Level 13, Tower 1
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
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

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2019.

Entering a recession last year, the Hong Kong economy shrank for the first time since 2009, by 1.2% compared with 2018. Trade was weak and city-wide protests depressed tourism and retailing.

It was in this context that the Group recorded a loss increase during the year. Much of the increase is attributable to a share of losses of an associate, incurred in the operation of a new warehouse. We entered a Joint Venture Agreement and Management Service Agreement with this associate to run the facility in Tsing Yi District last year. During the same period, we also started to operate a new bonded warehouse located in Kwai Chung Container Terminal for storage of mainly alcohol and tobacco products. Despite the loss sustained initially, the facility's performance has improved gradually in 2020.

Depreciation of both warehousing facilities is our abiding concern as it could affect their financial performances in the future. But we will overcome the challenge by improving their management and operational efficiency.

As the PRC's economic growth sank to a new multi-decade low of 6.1% in 2019, the Group's trading business in the country recorded a loss of HK$11,796,000 from the preceding year, which represents a reduction in a loss of 9.6%. Moreover, a large proportion of the operating loss was incurred in the first seven months of the period under review. It proves that the restructuring of the segment carried out by the Group was effective in improving its operational efficiency and profitability. The product mix of this operation has also been broadened to include more snacks and beverages from other countries and brands for distribution through our network of supermarkets and convenience stores, to keep consumers engaged. The segment's profit margin is likely to improve continually with the revamp.

The grim macroeconomic conditions are expected to worsen in 2020 due to the coronavirus outbreak, exacerbated by the China-US trade friction and slowing world economy. Aside from a robust risk assessment and control mechanism we put in place to address the unknowns, the Group is determined to practise financial discipline more rigorously, seeking to streamline operating expenses while pursuing worthy business opportunities.

More importantly, we will continue our business restructuring initiatives, to be more focused and free up resources to grow our core businesses. This is the reason we are winding down our money-lending service, to channel our efforts and resources in strengthening our cold storage and trading operations.

The Group views the longer-term future with cautious optimism, in the belief that we will emerge from the current economic crisis stronger and ready for substantial, swifter growth.

Finally, let me express my heart-felt gratitude to our clients and shareholders for the unswerving support they have offered the Group through the years. I also convey my sincere thanks to our staff for their hard work, passion and dedication.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2019, the Group's total revenue amounted to approximately HK$290 million as compared to approximately HK$309 million from the preceding year.

During the period of review, the Group recorded a loss of approximately HK$67 million, compared to the loss of approximately HK$38 million recorded in the year ended 31st December, 2018, equivalent to an increase of about 76%.

The Board considers that the expected increase in loss is primarily attributable to a share of loss of an associate and the operating loss incurred in the operation of a new warehouse.

REVIEW OF OPERATING SEGMENTS

The Group is mainly engaged in cold storage and related business in Hong Kong; trading of food and beverage business in the PRC; and provision of money lending services in Hong Kong.

Cold storage and related business

The Group derives its principal source of income from operating a cold storage business and its related activities. To support customers of this core segment more comprehensively, it also offers transportation and distribution, container hauling and devanning, packaging and logistics services.

Though operating initially at a loss in 2019, the new bonded warehouse run by the Group in Kwai Chung Container Terminal has seen its performance improving in 2020. This facility is used to store primarily alcohol and tobacco before full duty payment. As the cold-storage warehouses in the neighborhood were fully occupied, the Group started to operate another warehouse in the Tsing Yi District, through a Joint Venture ("JV") Agreement and Management Service Agreement, with effect from April 2019. The fully-staffed warehouse is still operating at an infancy stage. Under the new account reporting standard, the facility's depreciation is counted as an operating expense. Considering the lease's tenure of 25 years, this will dampen the Group's operation balance with a higher depreciation impact and may affect the segment's performance in this initial stage. However, the Group is optimistic that the JV is capable of growing the business continually and improving its operational efficiency to bring in promising returns.

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 the services rendered by this setup are only minimal due to the high operation cost of delivering goods to scattered locations across Hong Kong.

Trading and related business

The Group distributes a growing range of food products, snacks and beverages to supermarkets and convenient stores in the PRC. In 2019, it completed an internal restructuring exercise to improve operation efficiency and profitability across its distribution network. The Group mainly distributed imported dairy products but with the revamp, its product spread, which includes popular Australian-made fresh milk and locally branded juice beverages, has been broadened to capture changing consumer preferences in the PRC. This move has improved the segment's profit margin.

Money lending business

The Group established a money lending segment years ago in support of its cold storage customers who may require credit facilities from time to time. Though still available, the service has been slowed down to focus more resources on expanding the Group's cold-storage and trading and related operations.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group has conducted a detailed risk assessment and identified mitigation actions for each significant risk, in order to safeguard its business prospects, financial position, growth potential as well as commercial viability and sustainability.

A move has been made to diversify the Group's business portfolio strategically by spreading out its operational and commercial risks. However, care is taken to ensure that a fine balance between diversification and profitability is maintained. To this end, the Group has cautiously implemented cost saving measures and reallocated resources to grow its more promising segments. This strategy is calculated to minimise the Group's exposure to market volatility risks, brought on by the unpredictable macroenvironment, marked by the ongoing coronavirus pandemic, US-China trade conflicts and deepening economic crisis across Hong Kong and the PRC.

As an entrepot and intermediary trade centre, Hong Kong is vulnerable to political and economic headwinds impacting the city's catering industry. In view of this external risk, the Group remains vigilant against softer demand for its products and services that could affect its business performance and key source of income. There is also the risk of long-term depreciation on the Group's warehouse facilities, with possible repercussions on storage capacity and business growth. The Group has applied financial prudence to prevent erosion in the performance of its logistics segment, which shares a similar customer base with the warehousing segment. Risk control measures taken include cutting operating expenses and conserving internal resources where possible, to cushion the impact of the macroeconomic conditions.

The Group realises that the demand for imported fast moving consumer products, such as those distributed in its trading business in the PRC, is highly dependent on how the domestic economy performs and local consumer sentiments. To contain any possible market risk, the Group has proceeded to cut operating expenses for its trading business on the one hand and enhances its efficiency on the other.

With downside risks looming and uncertainties rife, the Group has made a number of critical decisions to circumvent them, such as:

- Improving the business performance and operational efficiency of the JV cold-storage facility in Tsing Yi district progressively

- Completing the operational revamp for the Group's trading business, including the expansion of its product offerings and distribution network

Subject to adjustment as the situation evolves, the policy decisions outlined above underline a commitment to improving the Group's risk management framework, capabilities and culture to ensure its long-term growth and sustainability.

PROSPECTS

The Group takes a bleak view of the economic situation in Hong Kong. Weakened by months of the coronavirus outbreak and extensive street protests, the city's economy is forecast to contract more than 1% in 2020, following a 1.2% decline last year. GDP tumbled 2.9% in year-on-year terms in the fourth quarter, following Q3's revised 2.8% decline. Moreover, business sentiment nosedived. According to Financial Secretary Paul Chan, Hong Kong's unemployment rate, which has already risen to 3.5% (the highest level since 2016), may deteriorate rapidly. Average visitor arrivals have also fallen to fewer than 3,000 a day in early 2020.

China's economic growth may drop to 5% or even lower due to coronavirus outbreak, as a government economist suggested. Industries like tourism, transportation, offline retail, and entertainment sectors face the biggest slowdown.

Even though the macroeconomic developments are likely to affect the Group in the immediate period, the management remains cautiously optimistic about its long-term performance. The efforts made to streamline its business model by focusing on the core segments of cold warehousing and trading will position the Group for rapid growth upon economic recovery.

Cold storage and related business

Hong Kong's cold-storage business is considered recession-proof. Over 90% of its total food supplies are imported with the need for fresh foodstuff to be kept in refrigerated conditions before being distributed for retail. The Group remains confident in the long-term outlook of this segment as most products stored in its temperature-controlled warehouses are daily edibles. However, the current coronavirus pandemic has caused a number of local restaurants and eateries to close down, to the detriment of the cold-storage industry. Because of the weak market conditions, the Group is unable to increase its service and rental fees to make up for the losses from its facilities and expects a decline in revenue. Despite the gloomy economic environment, the new bonded warehouse that the Group has been operating since 2019 caters to the luxury market for alcohol and tobacco, which is affected by the slowdown to a lesser extent. In fact, its bonded warehouse business has improved after its operational structure was overhauled last year.

Trading and related business

The Group's strategy to enhance value and profitability in this segment focuses on expanding its portfolio and diversifying product mix. In addition to milk beverage items from South Korea and Australia, it is proactively sourcing snacks and drinks from other parts of the Asia along with popular brands in the PRC. With the successful completion of the segment's restructuring last year, the Group plans to put a more pronounced focus on sales development while studying the feasibility of extending its wholesale distribution network to Hong Kong.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

Both the cold storage and trading segments have provided considerable momentum for the Group's growth. Taking their development to another level, consistent efforts are made to integrate both segments into a one-stop service platform that combines cold warehousing with the trading of food and beverage products.

The Group will leverage its professional experience and knowledge in cold storage and logistics management to expand its new JV operation. Aside from striving for greater operational excellence, we also aim for a higher retention rate of our quality clients and a higher business turnover. As always, the Group will provide customers with an increasingly comprehensive range of cold storage solutions including temperature-controlled warehousing, backed by quality logistics services such as transportation, distribution, container hauling, devanning and related services.

The Group's main strategy is to pursue sustainable corporate growth. Not only are we dedicated to improving our profit margins, we also endeavor to strengthen our wholesale chain in trading and food distribution by way of different marketing strategies and product mix expansion to engage more consumers.

The Group is progressively changing its business model by expanding our focus from the cold-storage business to warehousing to wholesale trading. Guided by our corporate strategy and long-term business model, we are committed to improving the financial and operational values of all our business segments and spearheading their expansion into the PRC. We would like to convey our gratitude to our shareholders for their firm support, in the commitment to optimise their returns for their investments in our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31st December,	
		2019	2018
Loss per share – basic	**HK cents**	**(2.76)**	(1.56)
Net assets per share attributable to owners of the Company	**HK$**	**4.67**	7.47
Current ratio	**times**	**1.19**	1.69
Total liabilities to total assets ratio	**times**	**0.80**	0.53
Gearing Ratio	**%**	**88.1#**	55.1
Return on equity ratio	**%**	**–59.1**	–20.9
Return on assets	**%**	**–11.5**	–9.5
Assets turnover ratio	**times**	**0.49**	0.77

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2019, the Group had cash and bank balances of approximately HK$118.0 million (2018: approximately HK$55.9 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 95.3% and 4.7%, 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 88.1%# as at 31st December, 2019 (2018: approximately 55.1%). The increase of the gearing ratio was because of the drop of the equity attributable to owners of the Company. (# Excluded derivative financial instruments and lease liabilities)

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 31st December, 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 31st December, 2019, the Group had a bank loan of HK$65 million (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. Subsequent to the end of the reporting period, the Group has repaid part of the bank loan in the amount of HK$30 million in January 2020. The total outstanding principal of the bank loan amounts to HK$35 million is extended by a further 12 months to April 2021 and the borrowing interest rate per annum be reduced to 5% per annum.

During the year under review, the Group's capital expenditure was mainly financed by internal resources and bank borrowing.

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

Share capital structure

As at 31st December, 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 year under review, 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.

Charges on assets

As at 31st December, 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 (2018: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (2018: HK$3.5 million). The amount utilised at 31st December, 2019 was approximately HK$3.5 million (2018: approximately HK$3.5 million).

As at 31st December, 2019, bank deposits of approximately HK$62.1 million (2018: approximately HK$101.9 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, within the Group's lease liabilities of HK$268.9 million, approximately HK$0.08 million (2018: approximately HK$0.19 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.3 million (2018: approximately HK$0.6 million).

Future plans for material investments or capital assets

During the year under review, 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 year under review, the Group did not have any contingent liabilities (2018: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2019, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 220 and 120 respectively (2018: approximately 230 Hong Kong employees; 80 PRC 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.

DIRECTORS OF THE COMPANY

MR. HO HON CHUNG, IVAN, aged 65, was appointed as an Executive Director of the Company in November 2009 and became the Acting Chief Executive Officer and an authorised representative of the Company in June 2019. He has also served as a director of certain subsidiaries and associates of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. FUNG PAK KEI, aged 37, has been appointed as Executive Director of the Company in June 2019. Subsequently, Mr. Fung has been appointed as Chief Operating Officer of the Group. He has also served as a director of certain associates of the Company. Mr. Fung is a member of Hong Kong Institute of Certified Public Accountants since 2008 and a member of Hong Kong Institute of Taxation since 2012. He holds Bachelor of Commerce and Bachelor of Arts (Asian Studies) from the University of Queensland and was admitted to the Golden Key International Honour Society in 2000. Mr. Fung was also awarded a scholarship to Hitotsubashi University in Japan and completed a Brand Marketing and a Japanese program in 2002. He worked at PricewaterhouseCoopers from 2005 to 2017 and was focusing on merger & acquisition and tax planning and has been involved in various international/regional business advisory projects. Mr. Fung founded GIK Business Consulting Limited ("GIK"), which is focusing on a wide range of business consulting and also has been a director of GIK since 2017. Currently, Mr. Fung is also the Chief Financial Officer, Chief Operations Officer and a director of Brilliant Cold Chain Solutions Limited, an associate of the Company since September 2018, where he handles the financials and oversees the management services arrangement.

MR. AU TAT WAI, aged 47, is currently a Non-executive Director of the Company. Mr. Au joined the Group as an Executive Director and the Chief Executive Officer in September 2009. In June 2019, Mr. Au resigned as the Chief Executive Officer and an authorised representative of the Company. Subsequently, he was re-designated from an Executive Director to a Non-executive Director in December 2019. Mr. Au has over 8 years of experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad — acting as a key liaison, bringing together in partnership Western and Chinese interests. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. FUNG WA KO, aged 58, is currently a Non-executive Director of the Company. Mr. Fung joined the Group as an Executive Director and the Chief Executive Officer in October 2003. He was appointed as the Deputy Chairman of the Group in April 2004 and became the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Group in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 76, joined the Group as an Independent Non-executive Director of the Company in August 2009. He is also the chairman of remuneration committee and a member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years of experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading services in Hong Kong.

MR. LEUNG CHI HUNG, aged 64, joined the Group as an Independent Non-executive Director of the Company in September 2003. He is also the chairman of audit committee and a member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of eForce Holdings Limited, Finet Group Limited, REF Holdings Limited and WT Group Holdings Limited, those companies are listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 52, joined the Group as an Independent Non-executive Director of the Company in August 2003. He is also the chairman of nomination committee and a member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Lam. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Vice President of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A review of the Group's business and an indication of likely future developments in the Group's business as required by Schedule 5 to the Hong Kong Companies Ordinance as well as the important events affecting the Group has occurred since the end of the financial year under review are set out in the Acting CEO's Statement and the Management Discussion and Analysis of this Annual Report.

An analysis of the Group's performance during the year using financial key performance indicators is also provided in the Management Discussion and Analysis on page 7 which forms part of the Directors' Report but not part of the audited financial statements.

Key risks and uncertainties

In addition, description of the principal risks and uncertainties facing the Group are provided in the Management Discussion and Analysis and notes 4, 37 and 38 to the consolidated financial statements attached to this Annual Report.

Compliance with laws and regulations

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

Environmental policies and performance, and relationships with key stakeholders

Detailed discussions on the Group's environmental policies and performance, and relationships with key stakeholders are set out in the Environmental, Social and Governance Report of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2019, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 49.8% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 14.8% of the Group's total turnover.

For the year ended 31st December, 2019, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 51.3% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 25.8% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

DIRECTORS' REPORT

RESULTS

The results of the Group for the year ended 31st December, 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this Annual Report.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December, 2019 (2018: Nil).

RESERVES

Details of the movements during the year in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2019, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2018: HK$84,239,000) and accumulated losses of HK$422,585,000 (2018: HK$422,767,000).

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the consolidated financial statements.

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.

SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

Particulars of the share option scheme of the Company are set out in note 32 to the consolidated financial statements.

Since the Adoption Date and up to 31st December, 2019, no share options have been granted pursuant to the 2015 Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was a sufficient public float throughout the year ended 31st December, 2019 and as at the latest practicable date prior to the issue of this Annual Report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2019, save as disclosed below, so far as is known to the Company's Directors or chief executives of the Company, no person (other than the Company's Directors or chief executives of the Company) had interests or short positions in any shares or underlying shares of the Company which will fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("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 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 shareholders 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.

DIRECTORS' REPORT

DIRECTORS

The following is the list of Directors during 2019 and up to the date of this report (unless otherwise stated). Information about Directors' appointments, retirements and remuneration is set out in the Corporate Governance Report of this Annual Report.

Executive Directors

Mr. Ho Hon Chung, Ivan *(appointed as Acting Chief Executive Officer on 4th June, 2019)*
Mr. Fung Pak Kei *(appointed on 4th June, 2019)*
Mr. Choy Kai Sing *(resigned on 4th June, 2019)*

Non-executive Directors

Mr. Au Tat Wai *(resigned as the Chief Executive Officer on 4th June, 2019 and re-designated from an Executive Director to a Non-executive Director on 20th December, 2019)*
Mr. Fung Wa Ko

Independent Non-executive Directors

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

At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Fung Pak Kei as Executive Director; Mr. Au Tat Wai as Non-executive Director; and Mr. Fung Siu Kit, Ronny as Independent Non-executive Director.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Updated biographies of the current Directors are set out in the Directors of the Company section of this Annual Report, as well as the changes in their emoluments as set out in note 11 to the consolidated financial statements.

Changes in Director's information under Rule 13.51B (1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange are as follows:

– Mr. Tse Yuen Ming, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of Inno-Tech Holdings Limited (a company listed on the Stock Exchange) with effect from 28th June, 2019.

Save as disclosed above, there is no other changes in the Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the existing Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

INTERESTS OF DIRECTORS

As at 31st December, 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 SFO, which were required to be notified to the Company and 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 be notified to 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)	20	10%

Note:

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% by GIK Business Consulting Limited ("GIK"). The entire issued share capital of GIK is beneficially owned by Mr. Fung Pak Kei, an Executive Director of the Company.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Interests of Directors" and "Share Option Scheme" above, at no time during the year ended 31st December, 2019 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected and Continuing Connected Transactions" below and note 41 to the consolidated financial statements attached to this Annual Report.

Notwithstanding the above, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2019 was a Director or his or her connected entity had, directly or indirectly, a material interest was entered into at any time during the year or subsisted at the end of the year.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as set out in note 41 to the consolidated financial statements are connected transactions under the Listing Rules. Details of the connected transactions of the Company are set out below.

Upon the appointment of Mr. Fung Pak Kei ("Mr. Fung") as Executive Director with effective from 4th June, 2019, by virtue of Mr. Fung owning the entire interests in GIK Business Consulting Limited ("GIK"), GIK has become a connected person of the Company under Chapter 14A of the Listing Rules after the appointment of Mr. Fung. The following transactions entered into prior to the appointment of Mr. Fung have become connected transactions of the Company accordingly.

Connected transactions

Consulting Service Agreement

On 1st August, 2018, the Company entered into a consulting service agreement (the "Consulting Service Agreement") with GIK 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. The Consulting Service Agreement has been terminated on 31st May, 2019 before the appointment of Mr. Fung. During the year ended 31st December, 2019, the corresponding consulting fee expense incurred amounted to HK$333,000 was recognised in profit or loss. Pursuant to Rule 14A.76 of the Listing Rules, all applicable percentage ratios in respect of the Consulting Service Agreement are less than 5% and total consideration is less than HK$3,000,000 and thus such transaction is fully exempted from the reporting and disclosure requirements for connected transactions.

Joint Venture Agreement

On 6th September, 2018, Sky Elegant Development Limited ("Sky Elegant"), an indirect wholly-owned subsidiary of the Company, together with Sub-Zero (HK) Limited ("Sub-Zero (HK)"), GIK and Loving Peace International Limited ("JV Company") entered into a joint venture agreement ("JV Agreement") in relation to the operation and management of the JV Company. Immediately after completion, the issued share capital of the JV Company will be owned as to 30% by Sky Elegant, as to 60% by Sub-Zero (HK) and as to 10% by GIK. The JV Company would be principally engaged in cold storage business in Hong Kong and/or the PRC. Completion of the JV Agreement has taken place during the year ended 31st December, 2018 in accordance with the terms thereof.

Please refer to the announcements of the Company dated 6th September, 2018 and 29th October, 2018, and the circular of Company dated 31st October, 2018 for further details of the JV Agreement and the transactions thereunder.

The Directors (including all Independent Non-executive Directors) have reviewed and confirmed that these transactions were entered into: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) in accordance with the relevant agreements governing them and on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the paragraph headed "Interests of Directors" above, as far as the Directors are aware of, none of the Directors have any interests in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this Annual Report.

AUDITOR

The financial statements for the year ended 31st December, 2019 have been audited by Messrs. Deloitte Touche Tohmatsu, which retires and, being eligible, offers itself for re-appointment at the 2020 AGM. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu and to authorise the Directors to fix its remuneration will be proposed at the 2020 AGM.

All references above to other sections, reports or notes in this Annual Report form part of this report.

Approved by the Board on 21st April, 2020

HO HON CHUNG, IVAN
Executive Director

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the Shareholders. For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, to systematically review the work procedures in different departments. Risk Management Policy has been established to formalise the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure that the Group is operating in a safe and steady environment, the operations management level could be increased and the Group's operational strategies and targets could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviations in paragraph headed "Chairman and Chief Executive".

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision-making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely audit committee, nomination committee and remuneration committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2019 and up to the date of this annual report are:

Executive Directors

Mr. Ho Hon Chung, Ivan *(appointed as Acting Chief Executive Officer on 4th June, 2019)*
Mr. Fung Pak Kei *(appointed on 4th June, 2019)*
Mr. Choy Kai Sing *(resigned on 4th June, 2019)*

Non-executive Directors

Mr. Au Tat Wai *(resigned as the Chief Executive Officer on 4th June, 2019 and re-designated from an Executive Director to a Non-executive Director on 20th December, 2019)*
Mr. Fung Wa Ko

Independent Non-executive Directors

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

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on page 9 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing more than one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and is now a member of multiple international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the development and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and Shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended the board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provided for in the terms of reference of relevant committees.

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 1 general meeting and 16 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in Board meetings
Executive Directors		
Mr. Ho Hon Chung, Ivan *(appointed as Acting Chief Executive Officer on 4th June, 2019)*	1/1	14/16
Mr. Fung Pak Kei *(appointed on 4th June, 2019)*	N/A	10/10
Mr. Choy Kai Sing *(resigned on 4th June, 2019)*	1/1	6/6
Non-executive Directors		
Mr. Au Tat Wai *(resigned as the Chief Executive Officer on 4th June, 2019 and re-designated from an Executive Director to a Non-executive Director on 20th December, 2019)*	1/1	9/16
Mr. Fung Wa Ko	1/1	8/16
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	8/16
Mr. Leung Chi Hung	1/1	8/16
Mr. Tse Yuen Ming	1/1	8/16

Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before regular meetings. Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Minutes of the board meetings will be received by those Directors within reasonable time after the meetings.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at the relevant board meeting. Any Director who or whose associates have any material interest in any proposed board resolutions will not be counted as a quorum in the relevant board meeting and will be regarded as no vote for the board resolutions.

BOARD OF DIRECTORS (continued)

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed directors to their individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some training courses for Directors to develop and explore their knowledge and skills.

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2019, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	Topics on training covered (Notes)
Executive Directors	
Mr. Ho Hon Chung, Ivan *(appointed as Acting Chief Executive Officer on 4th June, 2019)*	(c)
Mr. Fung Pak Kei *(appointed on 4th June, 2019)*	(b), (c)
Mr. Choy Kai Sing *(resigned on 4th June, 2019)*	(a), (b), (c)
Non-executive Directors	
Mr. Au Tat Wai *(resigned as the Chief Executive Officer on 4th June, 2019 and re-designated from an Executive Director to a Non-executive Director on 20th December, 2019)*	(c)
Mr. Fung Wa Ko	(c)
Independent Non-executive Directors	
Mr. Fung Siu Kit, Ronny	(c)
Mr. Leung Chi Hung	(a), (b), (c)
Mr. Tse Yuen Ming	(b)

Notes:

(a) corporate governance

(b) regulatory

(c) managerial/financial/economic

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise from the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal

Mr. Au Tat Wai, a Non-executive Director, had entered into the letter of appointment with the Company on 20th December, 2019.

Mr. Fung Pak Kei, an Executive Director, had entered into the letter of appointment with the Company on 4th June, 2019.

Mr. Ho Hon Chung, Ivan, an Executive Director, Mr. Fung Wa Ko, a Non-executive Director, and Mr. Leung Chi Hung and Mr. Tse Yuen Ming, the Independent Non-executive Directors, who were re-elected by the Shareholders in the 2019 annual general meeting, had entered into the letters of appointment with the Company on 31st May, 2019.

Mr. Fung Siu Kit, Ronny, an Independent Non-executive Director, who was re-elected by the Shareholders in the 2018 annual general meeting, had entered into the letter of appointment with the Company on 25th May, 2018.

The current letters of appointment of all Directors are for an initial term of 3 years from their respective dates of re-election by Shareholders. Such term shall end in any event on either: (i) termination by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier. The appointment of each Director is subject to retirement by rotation and re-election as required by the Bye-Laws of the Company.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

According to the CG Code requirement, the chairman and chief executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2019, Mr. Au Tat Wai, who was the Chief Executive Officer of the Company before 4th June, 2019, was responsible for all day-to-day corporate management matters until his resignation as Chief Executive Officer on 4th June, 2019 and Mr. Ho Hon Chung, Ivan has been responsible for all day-to-day corporate management matters since his appointment as Acting Chief Executive Officer on 4th June, 2019. Mr. Choy Kai Sing, acting as the Chief Financial Officer of the Company, is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2019, 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 code provisions A.2.1 and A.2.7.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the year ended 31st December, 2019, the Company did not comply with code provision E.1.2.

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.

COMMITTEES OF THE BOARD

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code, the terms of reference of the Nomination Committee were amended and approved on 28th March, 2012. They include making recommendations for all appointment and re-appointment of Directors to the Board and the relevant terms of reference are available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

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

Director's Nomination Policy

The director's nomination policy of the Company (the "Nomination Policy") was adopted by the Board and became effective on 1st January, 2019 and the Nomination Committee is responsible for execution.

Director Nomination Process

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and headhunters. The Nomination Committee may also put forward director candidates who are not nominated by Board members. In addition, the Nomination Committee will consider director candidates properly submitted by Shareholders through formal procedures set out in the Company's Procedures for Shareholders to Propose a Person for Election as a Director.

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing director candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

All director candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the director's qualifications. While director candidates will be evaluated on the same criteria, the Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, and experiences of the collective Board rather than on the individual candidate.

The Board shall have the final decision on all matters relating to the recommendation of director candidates by the Nomination Committee to stand for election at any general meeting. The Board will take such recommendations under advisement and is responsible for designating the director candidates to be elected at the annual general meeting of the Company and electing directors to fill Board vacancies.

COMMITTEES OF THE BOARD (continued)

Director's Nomination Policy (continued)

Procedure for Appointment of New Director

Director candidates will be asked to submit the necessary personal information in a prescribed form, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a Director.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the director candidate, evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship.

If the process yields one or more desirable director candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each director candidate (where applicable).

For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such director candidate based on the criteria as set out below to determine whether such director candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

A director candidate is allowed to withdraw his/her candidature at any time before the general meeting by serving a notice in writing to the company secretary of the Company.

Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

Procedure for Re-appointment of Director at General Meeting

The Nomination Committee shall review the overall contribution and service to the Company of the retiring Directors including their attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

The Nomination Committee shall also review and determine whether the retiring Directors continue to meet the criteria as set out below.

The Nomination Committee and/or the Board shall then make recommendation to the Shareholders in respect of the proposed re-election of Directors at the general meeting.

COMMITTEES OF THE BOARD (continued)

Director's Nomination Policy (continued)

Director Selection Criteria

The Nomination Committee considers the following qualifications are at a minimum to be required of a director candidate in recommending to the Board potential new Director, or the continued service of existing Director:

1. the highest personal and professional ethics and integrity;

2. proven achievement and competence in the nominee's field and the ability to exercise sound business judgment;

3. qualifications including professional qualifications, skills, knowledge and experience that are complementary to those of the existing Board;

4. the ability to assist and support management and make significant contributions to the Company's success;

5. the contribution on diversity of the Board and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

6. an understanding of the fiduciary responsibilities that is required of a member of the Board and the commitment of time and energy necessary to diligently carry out those responsibilities; and

7. meet the "independence" criteria as required under the Listing Rules and the composition of the Board is in conformity with the provisions of the Listing Rules from time to time (where applicable).

Other than the foregoing, there are no stated minimum criteria for director candidate, although the Nomination Committee may also consider such other factors as it may deem are in the best interests of the Company and the Shareholders.

The Nomination Committee is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

In accordance with bye-law 86 of the Company's Bye-Laws, Mr. Fung Pak Kei shall hold office only until the next following general meeting of the Company after his appointment and shall then be eligible for re-election at the forthcoming annual general meeting.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Au Tat Wai and Mr. Fung Siu Kit, Ronny will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31st December, 2019, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

The Nomination Committee formulated the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

The Nomination Committee reviews the composition of the Board from diversified angles up to the date of this annual report and summarised as follows:

		No. of Director
Age group:	35–50	2
	51–60	2
	≥ 61	3
Gender:	Male	7
	Female	0
Educational background:	Hong Kong	3
	Overseas	4
Professional experience:	Professional associated	3
	Entrepreneur/Merchant	4
Length of service (year):	1–10	1
	≥ 11	6
Designation:	Executive Director	2
	Non-executive Director	2
	Independent Non-executive Director	3

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. the number of independent non-executive directors should be not less than three and one-third of the Board;

2. at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; and

3. at least one director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Board has achieved the measurable objectives under board diversity policy for the year ended 31st December, 2019.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy of the Company, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the board diversity policy of the Company and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy of the Company.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

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

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment and advising the Board on the remuneration of all Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 2nd June, 2015 (the "Share Option Scheme"). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their contributions to the Group.

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2019 are set out in note 11 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and note 32 to the consolidated financial statements.

During the year ended 31st December, 2019, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Reviewed and approved the current remuneration policy of the Group; and

- Reviewed the remuneration package of the board members and senior management of the Group and made recommendation to the Board.

COMMITTEES OF THE BOARD (continued)

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 12th January, 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee were adopted on 31st December, 2018 and are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

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

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting system, the internal audit function, risk management and internal control systems as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2019, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2018 and the unaudited financial statements for 3 months ended 31st March, 2019, 6 months ended 30th June, 2019 and 9 months ended 30th September, 2019;

2. reviewed the accounting principles and practices adopted by the Group;

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors of the Company;

5. reviewed the daily operation work-flow of the major departments and divisions for sub-group;

6. reviewed the effectiveness of risk management and internal control systems; and

7. reviewed the effectiveness of the internal audit function.

Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group. During the year ended 31st December, 2019, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 14th February, 2020, the Audit Committee reviewed the risk management and internal control review report. At the meeting held on 27th March, 2020, the Audit Committee reviewed the unaudited financial statements for the year ended 31st December, 2019. At the meeting held on 21st April, 2020, the Audit Committee also reviewed the Directors' report and audited financial statements for the year ended 31st December, 2019, with a recommendation to the Board for approval.

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Fung Siu Kit, Ronny	7/7	3/3	3/3
Mr. Leung Chi Hung	7/7	3/3	3/3
Mr. Tse Yuen Ming	7/7	3/3	3/3

The Board has ensured that the Board Committees are provided with sufficient resources to perform their duties.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2019, the Board has held 2 meetings for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2019. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 49.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

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

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

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2019 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2019 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditors and also reviews any non-audit functions performed by the external auditors of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2019, the external auditors of the Group provided the following services to the Group:

	2019 **HK$'000**	2018 HK$'000
Audit service	**1,500**	2,210
Non-audit service	–	480
Total:	**1,500**	2,690

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 Board has delegated its audit committee to review the Group's risk management and internal control matters at half-yearly period. 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 and not absolute assurance against material misstatement or loss. The Group has an effective financial reporting system including the adequacy of resources, qualified and experienced staff and its training programmes and budget of the Group's accounting and financial reporting function.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

The Company has adopted a whistleblowing policy since 28th March, 2012, which is intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. No case of whistleblowing was noted by the Audit Committee during the year under review.

The Board, through the Audit Committee, conducts the periodic risk management and internal control reviews. The Company has been putting significant effort improving its risk management and internal control. Risk Management Policy has been established to formalise the risk management practice of the Group.

The Board sets the risk management objectives through board meetings from time to time. 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 and implementation status of strategies and policies set by the Board on a regular basis.

To further strengthen the risk management and internal control 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 of certain subsidiaries' RM and IC systems. The Internal Control Advisor has conducted a review and made recommendations to improve the effectiveness of the Group's RM and IC Systems.

The Company also has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest. The Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities & Futures Commission in 2012; and the "Guide on Disclosure of Price-sensitive Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Stock Exchange in 2002 and 2008 respectively. The Company has adopted an overall policy of open communication by pursuing the broad, non-exclusionary distribution of information to the public. The Company has imposed a strict prohibition on the unauthorised use of confidential or inside information. Such prohibition is included respectively in the Code of Conduct of the Board which applies to all Directors and the Employee Handbook which applies to all staff. Information which is expected to constitute inside information under the Listing Rules or the Securities & Futures Ordinance (the "SFO") will be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board unless the information falls within any of the safe harbours as provided in the SFO. To ensure that the existing procedures continue to operate smoothly in practice, the Company undertakes regular reviews of the procedures having regard to the regulatory requirements and the expectations of the Shareholders and other stakeholders.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year ended 31st December, 2019, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year RM and IC systems appraisal plan, and focused 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 year ended 31st December, 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, added on or updated to provide for changes in the operating environment.

COMPANY SECRETARY

All Directors have access to the advice and services of our Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, our Company Secretary is responsible for facilitating communications among Directors as well as with the management. Mr. Choy Kai Sing has been appointed as the Company Secretary of the Company since 6th August, 2003. According to the Rule 3.29 of the Listing Rules, Mr. Choy Kai Sing has taken no less than 15 hours of relevant professional training for the year ended 31st December, 2019.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. The Company values communication with Shareholders and investors. Enquiries and suggestions from Shareholders or investors are welcomed, and enquiries from Shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1301, Level 13, Tower 1, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong;

2. By telephone at telephone number (852) 3107 8600;

3. By fax at fax number (852) 2111 1438; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with Shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. The management will ensure the external auditors of the Company to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary of the Company through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1301, Level 13, Tower 1, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a Shareholders communication policy on 28th March, 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (www.irasia.com/listco/hk/daido/index.htm) which discloses the latest information relating to the Group and its businesses.

DIVIDEND POLICY

The dividend policy of the Company (the "Dividend Policy") was adopted by the Board and became effective on 1st January, 2019.

The Dividend Policy is to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Company. The Board endeavors to strike a balance between the Shareholders' interests and prudent capital management with a sustainable dividend policy.

The declaration and recommendation of dividends is subject to the decision of the Board after considering the Company's ability to pay dividends, which will depend upon, among other things:

- the Group's financial results;
- the Group's cashflow, liquidity and capital requirements;
- the Group's debt to equity ratios and the debt level;
- the retained earnings and distributable reserves of the Group;
- the Group's shareholders' interests;
- the Group's current and future business operations, conditions, cycle and strategies;
- the general market conditions;
- the shareholders' and the investors' expectation and industry's norm;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- statutory and regulatory restrictions;
- past dividend record; and
- any other factors the Board may deem relevant.

The Board has complete discretion on whether to pay a dividend and the form to pay, subject to any restrictions under the Companies Act of Bermuda and the Bye-laws of the Company. Any final dividends declared by the Company must be approved by an ordinary resolution of the Shareholders at an annual general meeting and must not exceed the amount recommended by the Board. The Board may also consider declaring special dividends from time to time, in addition to the interim and/or final dividends. There is no assurance that dividends will be paid in any particular amount for any given period.

The Company shall review and reassess the Dividend Policy and its effectiveness from time to time. Any revisions to the Dividend Policy shall be considered and approved by the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

This is the fourth Environmental, Social and Governance ("ESG") report prepared by Daido Group Limited ("Daido" or the "Group"). It presents Daido's sustainability strategy, practices and performance for the period of 1st January, 2019 to 31st December, 2019 ("the reporting year").

Reporting Boundary

In consistent with the previous reports, this report focuses on Daido's core cold storage and logistics businesses, and covers the following three operation points in Hong Kong[1].

Operation point	Address	Total area (square metre)
Warehouse 1	No. 8 Kwai Hei Street, Kwai Chung, New Territories	35,022
Warehouse 2[2]	Nos. 11-19 Wing Yip Street, Kwai Chung, New Territories	27,299
Bonded Warehouse	5/F, Modern Terminals Warehouse Phase II, Berth One, Kwai Chung Container Terminal, Kwai Chung, New Territories	5,341

While the key businesses of the Group are covered in this report, it is on the Group's agenda to refine the data collection system to pave the way for a wider reporting scope in the future.

Reporting Standards

This report is prepared in accordance with the 'comply or explain' provisions of the ESG Reporting Guide (the "Guide") under Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("SEHK"). The report includes selected key performance indicators ("KPI") under the 'recommended disclosures' of the Guide. The four principles outlined by the Guide, namely materiality, quantitative, balance and consistency, underline the content of this report.

Confirmation and Approval

Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated from the management, operational and monitoring information in accordance with the policies of the Group. The report was approved by the board of directors on 31st March, 2020.

Opinion and Feedback

The report was prepared in both Chinese and English. Both versions have been uploaded to the websites of the Group at http://www.irasia.com/listco/hk/daido/index.htm and the SEHK. Daido seeks stakeholders' feedback as an opportunity for continuous improvement. If you have any questions or comments, please contact the Group through the following channels:

Address: Unit No. 1301, Level 13, Tower 1, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
Email: irelations@daidohk.com
Fax: (852) 2111 1438

1 These businesses are operated by Brilliant Cold Storage Management Limited, Brilliant Top In Logistics Limited and Brilliant Giant Trading Limited.

2 This warehousing facility was closed in April 2019.

MANAGEMENT MESSAGE

Last year is characterised by turmoil and instability, both economically and politically, internally and domestically. In face of such volatility and uncertainties, the Group launched a responsive risk management plan to prevail competition and the marketplace. Sustainability continues to be one of our operational focus and we endeavour to manage associated risks on all fronts and improve our corporate governance to benefit the environment and the communities where we operate.

Sustainability governance has become a priority for the Group. To maintain effective communication with stakeholders, we invite employees, suppliers and clients to participate in a survey to help us understand and better address their needs and expectations. The Group is considering launching a dedicated committee to consolidate ESG governance and effort across different departments.

In response to stakeholder feedback, employee safety and wellness remain key areas focus in our policy and measures. Through initiatives such as healthcare programme and on-the job training, we strive for continuous improvement in the aspects of health and safety, training and development and labour practice. We have also confirmed with business partners our plans to switch to more environmentally friendly refrigerant alternatives.

In view of the tightening ESG reporting requirements and the international trend of enhanced sustainability reporting, the Group is preparing for expanded disclosure, especially in relation to climate change. We remain confident that our present effort and approach will lead us and our stakeholders to a more secure position in the future.

Ho Hon Chung, Ivan
Acting Chief Executive Officer
Daido Group Limited

SUSTAINABILITY GOVERNANCE

Good corporate governance forms the backbone of Daido's operations. The board continues to set the tone at the top by setting a clear vision and strategies that guide the ESG reporting measures or systems. The board is also responsible for evaluating and determining the Group's ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

Risk Management and Internal Control

Guided by the Group's Risk Management Policy, Daido has put in place a set of systematic risk management practices, ensuring that the financial and operational functions, compliance control system, material control, asset management and risk management function effectively.

The board acknowledges its role and responsibilities for risk management. As such, it is the priority of the Audit Committee to formulate risk management strategies. Through the Audit Committee, the board reviews, supervises and ensures Daido's internal control systems function effectively.

Risk Factors

The following ESG risks remain significant to the Group in the reporting year:

Risk factors	Examples of actions taken	Risk trend
Health and safety The nature of the Group's operations exposes it to health and safety risks. Work-related accidents can occur in the use of machinery and equipment, manual lifting and driving vehicles. Any regulatory action, legal liability and cost that follow may negatively affect the Group's operation and reputation.	The Group's Safety Committee and Code guide the measures that it undertakes to manage the above risks. Details of the Group's current practices in maintaining a healthy and safe workplace are presented on pages 38 to 39.	Remained
Ageing employees An ageing workforce may create risks of declining productivity and safety performance, while failure to recruit young employees can result in pressure on Daido's long-term sustainability.	The Group has in place a human resource management system to manage the risks above and attract young people to join the Group by providing competitive compensation and welfare. In addition, the Group is diversifying our recruitment sources and channels, and plans to introduce new technology to attract younger job applicants. Please refer to page 38 for more details.	Remained

STAKEHOLDER ENGAGEMENT

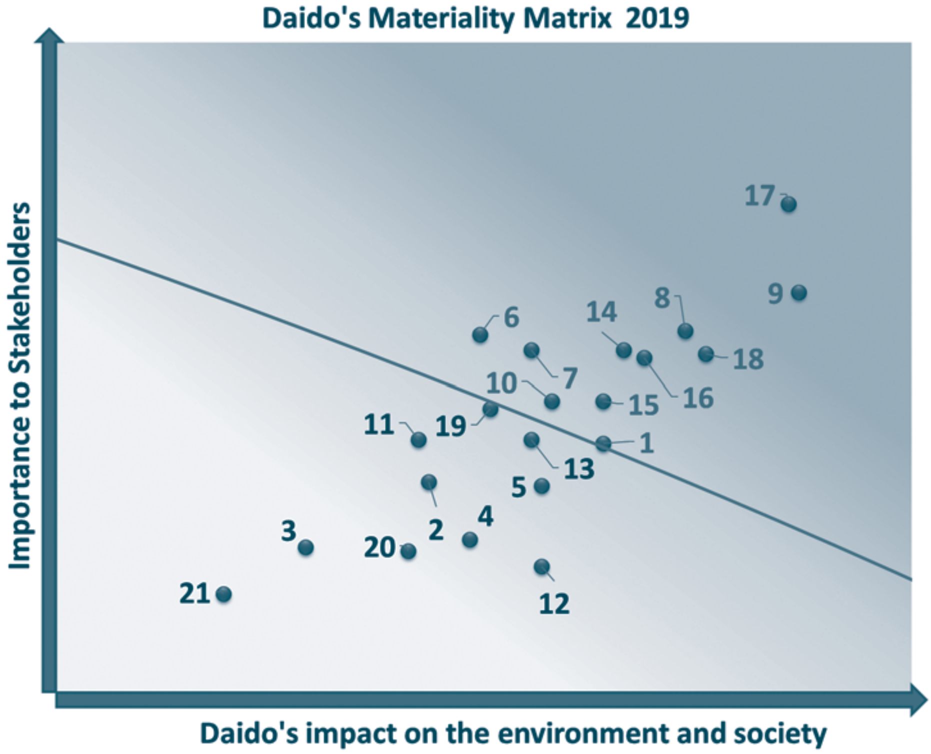
Stakeholder Engagement Activities

Through stakeholder engagement, the Group seeks to understand stakeholders' concerns and interests. In the reporting year, the Group commissioned an independent consultant, Carbon Care Asia ("CCA"), to carry out stakeholder engagement activities, including a management interview and questionnaires, gaining insights into stakeholders' priorities. Additional channels, such as e-mails, meetings, seminars and factory visits are also regularly utilised to engage different stakeholder groups, including employees, shareholders, suppliers and service providers, clients, industry associations, etc.

Material Sustainability Issues

With the assistance of CCA, the Group revisited numerous potential environmental, social and governance issues and invited internal and external stakeholders to rate 21 issues in a survey according to the importance of the issues to them and the Group's impact on the environment and society with regards to those issues. A total of 325 questionnaires were distributed and a total of 96 valid responses were received.

The materiality assessment produced 11 material issues that were identified to share high importance for both Daido and our stakeholders. While most of the material issues remain relevant, two new issues from the social dimension were introduced, namely Product Responsibility and Supply Chain Management. The assessment also introduced a new environmental issue, Management of Emissions that hold the Group to account for our environmental responsibility.



Number	Issues (in descending order of materiality)
17	Protection of clients' rights*
9	Health and safety: Personal protective equipment*
8	Health and safety: Job hazard analysis and safety measures*
18	Anti-corruption*
16	Product responsibility*
14	Supply chain management: risk analysis*
7	Equal opportunities, diversity and anti-discrimination*
6	Employment*
15	Supply chain management: monitoring*
10	Employee training*
1	Management of emissions*
19	Grievance mechanism for anti-corruption
13	Prevention of forced labour
5	Understanding of operation's impact on the environment
11	Development opportunities
2	Management of waste
12	Prevention of child labour
4	Measures for efficiency in energy and paper use
20	Community investment: understanding of community needs
3	Measures for efficiency in water use
21	Community investment: resources investment

* Material issue of the reporting year

EMPLOYMENT AND LABOUR PRACTICES

Employment

Aware that keeping employees satisfied takes more than monetary compensation, Daido strives to create decent employment and a positive workplace for everyone.

OUR APPROACH:

- Fostering a fair and equitable work environment
- Nurturing employees through investing in training and professional development
- Creating a workplace that is healthy and safe

We pride ourselves in delivering fair employment with equal opportunities, regardless of the employees' gender, race, nationality, religion, political affiliation and other factors. As outlined in Daido's Environmental, Social and Governance Policies and Staff Handbook, all employees are appraised on an annual basis. Accordingly, they will be recognised and rewarded based on their skills and performance.

As a responsible employer, Daido is aware of our responsibility to inform our employees on the rights and responsibilities of both parties. As such, the Group has in place the Staff Handbook, which details the Group's policies and expectations of behavior for creating a positive workplace. It helps to clarify expectations and provides an area of reference whenever disputes or disciplinary issues arise. On that account, it also details information on recruitment, dismissal, working hours, compensation, benefits, equal opportunities, diversity and anti-discrimination.

The Group offers a paid-leave entitlement, helping our employees to balance their focus on professional lives, family or leisure activities. Additionally, the Group also offers a series of benefits, including tuition fee reimbursement, medical insurance, discretionary bonuses and transportation allowance.

At Daido, there is zero tolerance for harassment in the workplace. As stated in the Staff Handbook, if any suspected non-compliance is noted, employees could report to any Executive Directors who would then be responsible for investigation. The harasser will receive disciplinary punishment or be dismissed by the Group in accordance with section 9 of the Employment Ordinance.

The Group complied with laws and regulations in the reporting year, including but not limited to the Employment Ordinance in Hong Kong. There were no cases of non-compliance related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and benefits and welfare related matters.

Health and Safety

Daido's Environmental, Social and Governance Policies encompasses an array of safety-related process and practices which align with the Group's commitment to creating a safe and healthy workplace. Safety Guidelines were formulated, covering multiple aspects in safety management and work hazard prevention, such as general safety, first aid, fire prevention measures, cold storage warehouse safety, elevator safety, manual lifting and handling.

OUR APPROACH:

- Strengthening Health and Safety Management System
- Setting up Safety Committee for the execution of safety measures
- Cultivating safety habits and awareness in every employee

Led by the Group's Acting CEO, Daido's Safety Committee brings together representatives from different departments through regular meetings at which safety concerns are addressed every three to six months. The Safety Committee discussed several safety-related agendas in the latest meeting held in June 2019, including a few cases of minor work-related injuries occurred due to lack of safety awareness in using equipment in the preceding 3 months. To reduce such cases in the future, the Group has identified main operational risks through the review of these injuries, and communicated with all staff for continuous improvement in workplace safety.

The Group provides emergency response training to our employees. Activities such as fire drills and emergency response to ammonia leakage are conducted regularly to allow better preparation and response to emergencies.

Daido incorporated annual Influenza vaccination into the Group's workplace wellness program. In the reporting year, the Group offered free vaccination at operations including operations of cold storage and logistics services. In addition, Daido provides health insurance covering out-patient services and hospital expenses. The Group also prepares personal protective equipment in order to minimise exposure of employees to hazards.

In the reporting year, the Group complied with laws and regulations related to health and safety, including but not limited to the Occupational Safety and Health Ordinance in Hong Kong. There were no non-compliance cases in relation to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

Investing in employees is critical to Daido's success. The Group emphasises the importance of attracting and nurturing talent, as well as guiding them in their professional growth. The Staff Handbook highlights the Group's approach in employees' ongoing development and training.

OUR APPROACH:

- Encouraging and sponsoring our employees in attending relevant courses
- Conducting performance evaluation and assessing skill gaps upon which training needs of individual employees is identified

On an annual basis, the Group assesses the need for arranging training courses to equip our employees with necessary skills and knowledge for delivering their required tasks. During the reporting year, several forklift operators were sent for training to pick up skills and knowledge required for their roles and acquired operation licenses.

Labour Standards

As a responsible corporate citizen, the Group upholds ethical and legal standards in our operations. This includes ensuring that child labour and slavery are not taking place in our businesses as well as the supply chain, including our subcontractors or suppliers.

OUR APPROACH:

- A zero-tolerance approach to child and forced labour
- Verification conducted by the Human Resource Department during recruitment

As outlined by Daido's Environmental, Social and Governance Policies, the Human Resource Department conducts a comprehensive inspection of the job applicant's identity through government-issued documents during the recruitment process.

During the reporting year, the Group complied with laws and regulations related to labour standards, including but not limited to the Employment Ordinance in Hong Kong. There were no non-compliance cases regarding preventing child and forced labour.

OPERATING PRACTICES

Anti-corruption

The Group adopts a zero-tolerance policy for bribery, extortion, fraud and money. Guided by the Environmental, Social and Governance Policies, the Group has put in place a mix of internal processes throughout our operations to prohibit corruption.

OUR APPROACH:

- Cultivating compliance culture in Daido
- Putting in place internal control measures
- Establishing effective and transparent communication channels with regards to anti-corruption

Embedding a culture that values compliance is one of Daido' preventive measures. The Staff Handbook was circulated to ensure that recommended practices in anti-money laundering, bribery prevention, extortion prevention and fraud prevention have been communicated with our employees. The Group is aware of the role of training and plans to organise anti-corruption awareness training for our staff. A seminar provided by Independent Commission Against Corruption ("ICAC") will be held in 2020.

As part of the internal controls, the Group has established a whistle-blowing platform to solicit information about unlawful activities or violations. Employees shall report any suspected violation to Executive Directors or the Chair of the Audit Committee in a confidential manner.

The Group has prepared some written guidelines to prevent our business from financial crime. Employees are encouraged to take all reasonable steps to enable the true and full identity of each customer. Additionally, employees are encouraged to avoid cash payment and report any suspected cash movement, if any.

Daido is aware that offering and receiving of gratuities is inherently linked to the issues of conflict of interest and unfair dealing. Accordingly, the Group prohibits all employees from offering benefits to any person or organisation in any form. We also require employees to decline benefits from a third party that might be seen as bribe. Besides, both "extortion" and "fraud" have also been well defined in the Environmental, Social and Governance Policies, reminding employees to avoid misconduct.

In the reporting year, the Group complied with laws and regulations related to anti-corruption, including but not limited to the Prevention of Bribery Ordinance in Hong Kong. There were no reported cases, litigations or cases of non-compliance against the Group and our employees concerning bribery, extortion, fraud and money laundering.

Supply Chain Management

Unlike traditional form of business risks, stakeholders are paying increasing attention to how companies manage ESG related risks in their supply chains. This aligns with the Group's commitment in proper supply chain management to identify relevant environmental and social risks with the aim of reducing any adverse impacts from our operations.

OUR APPROACH:

- Promoting environmental and social responsibility through green procurement
- Establishing a standardised, open and transparent procurement process

Daido welcomes suppliers who share the same values and ethical standards with us. The Group expects suppliers to demonstrate their commitment in safety and environment stewardship by adopting various practices with regards to encouraging energy conservation, promoting waste reduction, creating a safe and risk-free working environment, etc.

In accordance with the Green Procurement Policy, for goods and services purchased by the Group, environmental and social factors are part of the consideration in addition to technical capabilities and price competitiveness. The Group established a standardised procurement management flow. Performance of suppliers are monitored and reviewed on a timely basis. Those that underperform would be removed from our supplier list.

Product Responsibility

The Group is committed to delivering quality products and services. Daido pays extreme precaution on product responsibility and mutual trust between us and customers given that these are the essential factors influencing competitive advantage of a business.

OUR APPROACH:

- Complying to the Internal Standard Quality Management System
- Establishing Quality Assurance Department to executive quality
- Protecting Customer Information

The Group established a management system which complies with ISO 9001:2015 throughout our cold storage business. This management system sets standards to be followed in order to maintaining performance, including demonstrating leadership, actions to address risks and opportunities, implementing operational planning and control and evaluating performance. Such standards are captured in the Group's Quality Control Manual as well as Working Operation Procedures and Working Instructions. The Quality Assurance Department's role is vital in monitoring operations and identifying corrective measures whenever necessary.

Daido is committed to protecting customer information by implementing proper security controls. Customer information will be handled with utmost care. As outlined in the Group's Staff Handbook and Environmental, Social and Governance Policies, all customer information should only be used for business purposes and kept confidential.

To maintaining customer satisfaction, the Group seeks customers' feedback towards our warehousing and storage services through a regular survey. Responses of the survey, together with the cause analysis of cancelled orders and reports on customer complaints, gave further insight into improvement in our operations and initiated prompt follow-up with customers concerned. At the same time, the implementation of Warehouse Management System facilitates the delivery of quality services, further enhancing customer experience.

The Group's operations do not involve advertising and labelling matters. In the reporting year, the Group complied with laws and regulations related to product responsibility, including but not limited to the Personal Data (Privacy) Ordinance in Hong Kong. There were no cases of non-compliance in relation to health and safety, advertising, labelling and privacy matters.

COMMUNITY INVESTMENT

As a responsible corporate citizen, Daido is committed to promoting community development through multiple approaches. Daido is supportive of donation, directly sponsoring or funding projects of various social service agencies, as well as encouraging our employees to take part in voluntary services.

OUR APPROACH:

- Supporting community growth through different approaches
- Encouraging employees to take part in voluntary services

During the reporting year, the Group continued to participate in charity programmes and invested approximately HKD50,000 in community betterment. Activities such as charity mooncake and sales for charitable purpose were carried out. Daido is looking forward to continuously contributing to the society where we operate.

PROTECTING THE ENVIRONMENT

Daido recognises the responsibilities in managing our environmental footprint and resource efficiency. Guided by the Environmental, Social and Governance Policies, the Group is committed to reducing our environmental impacts in different aspects of our operations across our supply chain, including managing our emissions and consumption of natural resources.

Emissions

Building on our commitment to protect the environment, the Group continues to monitor and manage our emissions through multiple approaches.

OUR APPROACH:

- Assessing and monitoring greenhouse gas emissions to identify room for improvement
- Optimising energy efficiency
- Integrating concepts of waste prevention, reuse and recycling into operations

The Group engaged an independent consultant, CCA, to assess our greenhouse gas emissions according to Guideline[3] established by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

Greenhouse gas emissions generated from the Group's businesses in cold storage and logistics services is primarily contributed by activities such as consumption of electricity and travelling of our fleet vehicles, accounting for 81.1% of total greenhouse gas emissions. The total GHG emissions accounted for 37.4% decrease while comparing with year 2018. The main reason for the sharp decrease is that with the close of Warehouse 2, the fugitive emissions escaping from the refrigerant were reduced. In addition, electricity consumption was reduced as the industrial ice bars business was closed in late September 2018.

In the reporting year, all vehicles owned by the Group met Euro-V Emission Standards, implying that exhaust emissions of our vehicles do not go beyond the international acceptance rate for exhaust emissions. With regards to the operation of the cold storage warehouse, the Group optimises our energy efficiency by constructing the warehouse into separate rooms. This offers more command over temperature control when different temperatures are needed across the warehouse.

The Group deploys the concept of waste prevention as well as reuse and recycling of waste in our operations. Daido engaged an external waste management company to manage our waste, all of which was non-hazardous waste. Among others are recyclable items such as carton boxes and plastic wrap that were collected and delivered to recyclers. The Group generated 41.38 tonnes of waste in the reporting year, representing a 41.4% decrease compared with the previous year, which is mainly attributable to the close of Warehouse 2.

In the reporting year, the Group complied with laws and regulations related to emissions, including but not limited to the Air Pollution Control Ordinance in Hong Kong. There have been no cases of non-compliance in relation to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

[3] Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong.

Use of Resources

Daido believes that using resources sustainably minimises our impact on the environment and society as a whole.

OUR APPROACH:

- Implementing and monitoring measures in reducing energy consumption
- Establishing a water reuse system

The Group continues to monitor the energy consumption as the first step towards developing energy conservation targets. Performances in the recent three years are as follows:

Type		Energy consumption (MWh) 2019	2018	2017
Direct energy	Petrol	144.40	139.24	149.55
	Diesel	2,074.91	2,307.10	2,174.92
Indirect energy	Electricity[4]	8,221.10	11,716.12	11,673.95
	Total energy consumption	10,440.41	14,162.46	13,998.42
	Energy intensity (MWh/square metre)	0.21	0.23	0.22

Recognising that purchase electricity is mostly commonly used in our operations, the Group implemented a series of electricity-saving measures to reduce our consumption and increase energy efficiency. The Group continued to participate in CLP's Automated Demand Response Programme, which helped gather information-related to energy consumption through smart meters, so as to reduce electricity use during peak times.

At Daido, water is regarded as a precious resource. The Group deployed several measures to maximise efficiency of water usage, such as establishing a water reuse system and collecting defrosting water from cold storage warehouses.

The Environment and Natural Resources

The nature of Daido's operations does not have a significant impact on the environment and natural resources. Nevertheless, in addition to managing our emissions and use of resources, Daido acknowledges our environmental impacts caused by the use of refrigerants, such as depletion of the ozone layer, and is actively exploring environmentally friendly alternatives.

4 Electricity consumption from the industrial ice bars business was included in 2017 and 2018. The operation of this business segment was closed in late September 2018.

KPI SUMMARY

Environmental Performance

	Type	Annual emission in 2019	Annual emission in 2018	Annual emission in 2017
Air emission	Nitrogen oxides (NO_x)(kg)	**3,047.89**	3,649.35	4,569.48
	Sulphur oxides (SO_x)(kg)	**3.52**	3.88	3.69
	Respiratory suspended particles (RSP)(kg)	**248.54**	297.61	334.10

	Scope	Annual emission in 2019	Annual emission in 2018	Annual emission in 2017
Greenhouse gas emissions	Scope 1: Direct emissions (tonnes of CO_2-e)	**1,654.18**	3,366.76	3,008.63
	Scope 2: "Energy indirect" emissions[5] (tonnes of CO_2-e)	**4,192.76**	5,975.22	6,303.94
	Scope 3: Other indirect emissions (tonnes of CO_2-e)	**38.06**	55.81[6]	31.14
	Greenhouse gas emissions in total (tonnes of CO_2-e)	**5,885.00**	9,397.79	9,343.71
	Greenhouse gas intensity (tonnes of CO_2-e/square metre floor area)	**0.119**	0.15	0.15

	Type	Annual emission in 2019	Annual emission in 2018	Annual emission in 2017
Hazardous and non-hazardous waste	Hazardous waste (tonnes)	**0.95**	No hazardous waste generated	No hazardous waste generated
	Hazardous waste intensity (tonnes/square metre floor area)	**0.019**	Information unavailable	Information unavailable
	Non-hazardous waste (tonnes)	**40.43**[7]	70.67	82.05
	Non-hazardous waste intensity (tonnes/square metre floor area)	**0.001**	0.001	0.001

	Type	Annual consumption in 2019	Annual consumption in 2018	Annual consumption in 2017
Energy consumption	Direct energy (MWh)	**2,219.31**	2,446.34	2,324.47
	Indirect energy[5] (MWh)	**8,221.10**	11,716.12	11,673.95
	Total energy consumption (MWh)	**10,440.41**	14,162.46	13,998.42
	Energy intensity (MWh/square metre floor area)	**0.21**	0.23	0.22

5 Electricity consumption from the industrial ice bars business was included in 2017 and 2018. The operation of this business segment was closed in late September 2018.

6 The figure was recalculated to include emissions from water consumption for the industrial ice bars business.

7 Only waste generated in Warehouse 1 is included. Amount of non-hazardous waste generated in the Warehouse 2 and Bonded Warehouse was not recorded in the reporting year.

	Type	Annual consumption in 2019	Annual consumption in 2018	Annual consumption in 2017
Water consumption	Total water consumption (cubic metre)	**29,241**	55,940.08[8]	10,300.56
	Water intensity (cubic metre/ square metre floor area)	**0.59**	0.89	0.16

	Type	Annual consumption in 2019	Annual consumption in 2018	Annual consumption in 2017
Packaging materials	Total packaging material used for finished products (tonnes)	**19.21**	Information unavailable	Information unavailable
	Packaging material intensity (tonnes/unit of product)	**0.0004**	Information unavailable	Information unavailable

Social Performance[9]

	Gender	Age: Below 30	Age: 30-50	Age: Over 50	Total	Male to female ratio (2019)	Male to female ratio (2018)	Male to female ratio (2017)
Total workforce[10]	Male	10	60	91	213	**3.1:1**	3.7: 1	3.7: 1
	Female	4	31	17				
	Gender	**Rank: Senior managerial level**	**Managerial level**	**General staff**	**Total**			
	Male	2	12	147	213			
	Female	0	10	42				

	Gender	Age: Below 30	Age: 30-50	Age: Over 50	Total	New employee rate (2019)	New employee rate (2018)	New employee rate (2017)
Number of new employees	Male	8	18	21	63	**29.6%**	6.5%	9.9%
	Female	2	8	6				

8 The figure was recalculated to include water consumption for the industrial ice bars business.

9 Employees of Warehouse 2 has been deployed to a new warehouse in the Tsing Yi district ("Tsing Yi Warehouse") since February 2019. To allow for meaningful comparisons of the Group's social performance, social data of Tsing Yi Warehouse is included here.

10 All employees work on full time basis.

	Gender	Age: Below 30	Age: 30-50	Age: Over 50	Total	Employee turnover rate (2019)	Employee turnover rate (2018)	Employee turnover rate (2017)
Employee turnover	Male	5	15	35	67	**31.2%**	13.4%	12.1%
	Female	2	6	4				

	Gender	2019	2018	2017
Work-related injuries	Male	**11**	6	7
	Female	**2**	2	0

	Gender	2019	2018	2017
Work-related fatalities	Male	**0**	0	0
	Female	**0**	0	0

	Region	2019	2018	2017
Number of suppliers	Hong Kong	**127**	129	129
	Mainland China	**7**	6	6
	Taiwan	**1**	1	1
	German	**0**	1	1
	Japan	**0**	1	0

		2019	2018	2017
Resources contribute to community investment projects	Total amount	**HKD 49,572**	HKD 50,994	HKD 54,292

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
A. Environmental **A1. Emissions**		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	42
A1.1	The types of emissions and respective emissions data.	44
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	44
A1.3	Total hazardous waste produced and, where appropriate, intensity.	44
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	44
A1.5	Description of measures to mitigate emissions and results achieved.	42
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	42
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	42
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	43, 44
A2.2	Water consumption in total and intensity.	45
A2.3	Description of energy use efficiency initiatives and results achieved.	43
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	43; There was no issue in sourcing water
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	45
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	42
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	43
B. Social **B1. Employment**		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	38
B1.1	Total workforce by gender, employment type, age group and geographical region.	45
B1.2	Employee turnover rate by gender, age group and geographical region.	46

Material Aspect	Content	Page Index/Remarks
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	38, 39
B2.1	Number and rate of work-related fatalities.	46
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	38, 39
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	39
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	39
B4.1	Description of measures to review employment practices to avoid child and forced labour.	39
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	40
B5.1	Number of suppliers by geographical region.	46
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	40
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	41
B6.4	Description of quality assurance process and recall procedures.	41
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	41
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	40
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	40
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	40
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	41
B8.2	Resources contributed to the focus area.	46

Deloitte. 德勤

TO THE MEMBERS OF DAIDO GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 55 to 133, which comprise the consolidated statement of financial position as at 31st December, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage business	
We identified the impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage business as a key audit matter due to the significance of the balances and the involvement of subjective judgement and management estimates in determining the recoverable amounts of the property, plant and equipment, and right-of-use assets. As disclosed in notes 4 and 15 to the consolidated financial statements, the carrying amounts of the Group's property, plant and equipment, and right-of-use assets related to cold storage business as at 31st December, 2019 amounted to HK$4,499,000 and HK$259,565,000 respectively. The Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The management of the Group engaged an independent professional valuers in assisting the preparation of cash flow projections of the relevant cash-generating units to which the property, plant and equipment, and right-of-use assets belong in estimating the recoverable amounts of the cash-generating units. Certain assumptions, including occupancy rates and growth in charge rates, made by the directors of the Company and the estimation of the discount rates applied made by independent professional valuers in the impairment assessment are considered to be key areas of judgement. Based on the management's assessment, no impairment loss in respect of the property, plant and equipment, and right-of-use assets has been recognised in profit or loss during the year ended 31st December, 2019.	Our procedures in relation to the impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage business include: • Assessing the competence, capabilities and objectivity of the valuers, and checking the qualifications of the valuers; • Discussing the scope of work of the valuers with the management of the Group and reviewing the terms of engagement to determine that there were no matters that affected the valuers' objectivity or imposed scope limitations upon the valuers; • Obtaining an understanding from the valuers about the methodologies used and the key inputs, such as occupancy rates, growth in charge rates and the discount rates, adopted in the valuation model and assessing the appropriateness of these methodologies and inputs based on our knowledge of the cold storage operation of the Group; • Comparing these inputs to entity-specific historical information to evaluate the appropriateness of using these inputs in the valuation models; and • Engaging our valuation specialist to evaluate the appropriateness of the discount rate used.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation on provision of expected credit losses ("ECL") for loan to an associate	
We identified the estimation on provision of ECL for loan to an associate as a key audit matter due to the significance of the balance and the involvement of subjective judgement and management estimates in determining the ECL of the Group's loan to an associate. As at 31st December, 2019, the carrying amount of the Group's loan to an associate amounted to HK$39,255,000. As detailed in note 3 to the consolidated financial statements, the Group has applied HKFRS 9 *Financial Instruments* in which impairment of loan to an associate is measured under ECL model. As disclosed notes 4 and 38 to the consolidated financial statements, loan to an associate is assessed for ECL under lifetime ECL model individually as the credit risk of the loan to an associate has increased significantly since initial recognition and the loan is considered as doubtful. The management of the Group estimates the amount of ECL of the loan to an associate based on the historical observed default rates over the expected life of the loan and are adjusted by forward-looking information, by taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows of the loan to an associate. The amount of ECL of loan to an associate is calculated by discounting the difference between the principal amount of the loan and the expected repayments, if any, at an effective interest rate determined at initial recognition of such loan, which represents the credit risk of the associate. Based on the management's assessment, no provision of ECL in respect of the loan to an associate has been recognised in profit or loss during the year ended 31st December, 2019.	Our procedures in relation to the estimation on provision of ECL for loan to an associate include: • Comparing the cash flow projection to historical results and reference to the forward-looking information such as management plan of the operation to determine their reasonableness; • Evaluating the cash flow projection prepared by the management of the Group in respect of the expected repayments by the associate, including assessing the reasonableness of the assumptions applied, including the amount and timing of the repayments; • Checking the basis of default rates adopted by the management with reference to the market information; and • Checking arithmetic accuracy of the cash flow projection calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor’s report is Chan, Alan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21st April, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	5		
– Provision of cold storage and related services		**191,983**	224,567
– Trading of food and beverage		**95,044**	75,076
– Interest income from money lending services		**2,588**	9,603
Total revenue		**289,615**	309,246
Direct costs		**(239,097)**	(263,900)
Gross profit		**50,518**	45,346
Other income	6	**5,980**	1,786
Other gains and losses	7	**(469)**	(6,458)
Impairment losses under expected credit loss model, net of reversal		**(373)**	(1,355)
Selling and distribution expenses		**(20,819)**	(17,654)
Administrative expenses		**(49,166)**	(44,813)
Share of loss of an associate		**(21,954)**	(8,021)
Impairment loss recognised on interest in an associate	17	**(7,500)**	–
Finance costs	8	**(23,355)**	(6,765)
Loss before tax		**(67,138)**	(37,934)
Taxation	9	**–**	–
Loss for the year	10	**(67,138)**	(37,934)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(454)**	(596)
Total comprehensive expense for the year		**(67,592)**	(38,530)
Loss for the year attributable to:			
Owners of the Company		**(67,138)**	(37,934)
Non-controlling interests		**–**	–
		(67,138)	(37,934)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(67,592)**	(38,530)
Non-controlling interests		**–**	–
		(67,592)	(38,530)
Loss per share – basic	13	**(HK2.76 cents)**	(HK1.56 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Non-current Assets			
Property, plant and equipment	14	**10,374**	4,876
Right-of-use assets	15	**264,329**	–
Goodwill	16	**68**	68
Interest in an associate	17	**4,072**	10,998
Loan to an associate	17	**39,255**	47,525
Financial assets at fair value through profit and loss ("FVTPL")	18	**686**	731
Equity instrument at fair value through other comprehensive income ("FVTOCI")	19	**–**	–
Rental deposits paid		**14,901**	25,488
Pledged bank deposits	34	**65,568**	105,353
Loan receivables	20	**–**	28,000
		399,253	223,039
Current Assets			
Inventories		**2,715**	1,207
Trade and other receivables, deposits and prepayments	21	**55,474**	74,873
Amount due from an associate	17	**8,077**	–
Loan receivables	20	**1,975**	40,464
Bank balances and cash	22	**117,966**	55,898
		186,207	172,442
Current Liabilities			
Trade and other payables	23	**23,209**	29,365
Contract liabilities	24	**4,894**	7,530
Bank borrowing	25	**65,000**	65,000
Lease liabilities	26	**63,475**	–
Obligations under finance leases	27	**–**	203
		156,578	102,098
Net Current Assets		**29,629**	70,344
Total Assets less Current Liabilities		**428,882**	293,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2019

	NOTES	2019 HK$'000	2018 HK$'000
Capital and Reserves			
Share capital	29	**24,323**	24,323
Share premium and reserves		**89,236**	157,331
Equity attributable to owners of the Company		**113,559**	181,654
Non-controlling interests		**3,163**	5,163
		116,722	186,817
Non-current Liabilities			
Lease liabilities	26	**205,435**	–
Derivative financial instruments	30	**6,725**	6,478
Obligations under finance leases	27	**–**	88
Bonds	31	**100,000**	100,000
		312,160	106,566
		428,882	293,383

The consolidated financial statements on pages 55 to 133 were approved and authorised for issue by the board of directors on 21st April, 2020 and are signed on its behalf by:

FUNG PAK KEI
Director

HO HON CHUNG, IVAN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	FVTOCI reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2018	24,323	374,226	39,984	(110,078)	(879)	(107,392)	220,184	14,923	235,107
Loss for the year	–	–	–	–	–	(37,934)	(37,934)	–	(37,934)
Other comprehensive expense for the year	–	–	–	–	(596)	–	(596)	–	(596)
Total comprehensive expense for the year	–	–	–	–	(596)	(37,934)	(38,530)	–	(38,530)
Distribution to non-controlling interests	–	–	–	–	–	–	–	(9,760)	(9,760)
At 31st December, 2018	24,323	374,226	39,984	(110,078)	(1,475)	(145,326)	181,654	5,163	186,817
Adjustment (note 2)	–	–	–	–	15	(8,518)	(8,503)	–	(8,503)
At 1st January, 2019 (restated)	24,323	374,226	39,984	(110,078)	(1,460)	(153,844)	173,151	5,163	178,314
Loss for the year	–	–	–	–	–	(67,138)	(67,138)	–	(67,138)
Other comprehensive expense for the year	–	–	–	–	(454)	–	(454)	–	(454)
Total comprehensive expense for the year	–	–	–	–	(454)	(67,138)	(67,592)	–	(67,592)
Dividend recognised as return on equity instrument at FVTOCI	–	–	–	8,000	–	–	8,000	–	8,000
Distribution to non-controlling interests	–	–	–	–	–	–	–	(2,000)	(2,000)
At 31st December, 2019	24,323	374,226	39,984	(102,078)	(1,914)	(220,982)	113,559	3,163	116,722

Note: 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 the completion of the 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(67,138)**	(37,934)
Adjustments for:		
Change in fair value of derivative financial instruments	**247**	6,478
Change in fair value of financial assets at FVTPL	**45**	171
Depreciation of property, plant and equipment	**3,325**	5,208
Depreciation of right-of-use assets	**72,566**	–
Finance costs	**23,355**	6,765
Impairment loss recognised on interest in an associate	**7,500**	–
Impairment losses under expected credit loss model, net of reversal	**373**	1,355
Interest income other than money lending business	**(5,599)**	(1,253)
Loss (gain) on disposal of property, plant and equipment	**177**	(191)
Share of loss of an associate	**21,954**	8,021
Operating cash flows before movements in working capital	**56,805**	(11,380)
Increase in rental deposits paid	**–**	(450)
Increase in inventories	**(1,508)**	(514)
Decrease (increase) in trade and other receivables, deposits and prepayments	**19,004**	(16,487)
Decrease (increase) in loan receivables	**66,473**	(5,733)
Increase in amount due from an associate	**(8,077)**	–
(Decrease) increase in trade and other payables	**(6,156)**	7,692
(Decrease) increase in contract liabilities	**(2,636)**	598
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**123,905**	(26,274)
INVESTING ACTIVITIES		
Interest received	**1,027**	923
Dividend income from equity instrument at FVTOCI	**8,000**	–
Purchase of property, plant and equipment	**(9,398)**	(2,507)
Proceeds from disposal of property, plant and equipment	**5**	192
Payments for rental deposits of right-of-use assets	**(2,640)**	–
Refunds of rental deposits of right-of-use assets	**10,293**	–
Loan to an associate	**(10,957)**	(66,263)
Placement of pledged bank deposits	**–**	(2,378)
Withdrawal from pledged bank deposits	**39,785**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**36,115**	(70,033)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(23,355)**	(6,765)
Repayments of lease liabilities/obligations under finance leases	**(72,135)**	(594)
New bank borrowing raised	–	65,000
Distribution to non-controlling interests	**(2,000)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(97,490)**	57,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**62,530**	(38,666)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**55,898**	94,792
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(462)**	(228)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**117,966**	55,898

1. GENERAL

Daido Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of cold storage and related services, trading of food and beverage in the People's Republic of China (the "PRC"), provision of money lending services and investment holding.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

HKFRS 16 *Leases*

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019.

As at 1st January, 2019, the Group recognised additional lease liabilities and right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement date, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity) and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities is 4.63%.

	NOTE	At 1st January, 2019 HK$'000
Operating lease commitments disclosed as at 31st December, 2018		344,053
Lease liabilities discounted at relevant incremental borrowing rates and relating to operating leases recognised upon application of HKFRS 16 as at 1st January, 2019		314,463
Add: Obligations under finance leases recognised at 31st December, 2018	(a)	291
Lease liabilities as at 1st January, 2019		314,754
Analysed as		
Current		65,550
Non-current		249,204
		314,754

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1st January, 2019 comprises the following:

	NOTES	HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**306,492**
Amounts included in property, plant and equipment as at 31st December, 2018 under HKAS 17		
– Assets previously under finance leases	(a)	**393**
Adjustments on rental deposits paid	(b)	**3,336**
		310,221
Analysed as		
Cold storage warehouses		**307,870**
Offices		**1,958**
Motor vehicles		**393**
		310,221

Notes:

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under leases as at 1st January, 2019 amounting to HK$393,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK$203,000 and HK$88,000 to lease liabilities as current and non-current liabilities respectively at 1st January, 2019.

(b) The Group elected to measure the right-of use assets at its carrying amount as if HKFRS 16 has been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application. Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under "rental deposits paid" and "trade and other receivables, deposits and prepayments". Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$3,317,000 and HK$19,000 were adjusted from non-current rental deposits paid and current rental deposits paid as included in trade and other receivables, deposits and prepayments, respectively to right-of-use assets as at 1st January, 2019.

(c) The net effects arising from the initial application of HKFRS 16 resulted in a decrease in the carrying amounts of interest in an associate of HK$532,000 with corresponding adjustments to accumulated losses relevant to the difference arising from recognition of lease liabilities and right-of-use assets of the associate.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee (continued)

The following table summarises the impact of transition to HKFRS 16 on accumulated losses and translation reserve at 1st January, 2019.

	Impact of adopting HKFRS 16 at 1st January, 2019 HK$'000
Accumulated losses	
Difference arising from recognition of lease liabilities and right-of-use assets of the Group	7,986
Decrease in interest in an associate arising from recognition of lease liabilities and right-of-use assets of the associate	532
Impact at 1st January, 2019	8,518
Translation reserve	
Difference arising from recognition of lease liabilities and right-of-use assets of the Group and impact at 1st January, 2019	(15)
	8,503

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

HKFRS 16 *Leases* (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	NOTES	Carrying amounts previously reported at 31st December, 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1st January, 2019 HK$'000
Non-current Assets				
Property, plant and equipment	(a)	4,876	(393)	4,483
Right-of-use assets		–	310,221	310,221
Interest in an associate	(c)	10,998	(532)	10,466
Rental deposits paid	(b)	25,488	(3,317)	22,171
Current Assets				
Trade and other receivables, deposits and prepayments	(b)	74,873	(19)	74,854
Capital and Reserves				
Share premium and reserves		157,331	(8,503)	148,828
Current Liabilities				
Lease liabilities	(a)	–	65,550	65,550
Obligations under finance leases	(a)	203	(203)	–
Non-current Liabilities				
Lease liabilities	(a)	–	249,204	249,204
Obligations under finance leases	(a)	88	(88)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31st December, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1st January, 2019 as disclosed above.

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies HKFRS 9 *Financial Instruments* ("HKFRS 9"), including the impairment requirements, to long-term interests in an associate to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs and an interpretation that are mandatorily effective for the current year (continued)

Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* (continued)

As at 31st December, 2019, loan to an associate of HK$39,255,000 is considered as long-term interests that, in substance form part of the Group's net investments in the relevant associate. However, the application is not expected to have impact as the Group's existing accounting policies are consistent with the requirements clarified by the amendments.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1st January, 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1st January, 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st January, 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1st January, 2020.

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

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1st January, 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1st January, 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1st January, 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1st January, 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

For the provision of cold storage and related service, as the customers simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the service fee received or receivable from the customers as its revenue over time using output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

For manufacturing and trading of ice as well as trading of food and beverage, revenue is recognised at a point in time when the customer obtains the control of the goods, the Group has present right to payment and the collection of the consideration is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. 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.

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1st January, 2019)

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation) all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss in the period which they are receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on property, plant and equipment, and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue. Other kind of interest income are presented as other income.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, rental deposits paid, amount due from an associate, loan receivables, loan to an associate, pledged bank deposits and bank balances) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade amount due from an associate arising from contracts with customers). The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, and amount due from an associate when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, loan receivables, loan to an associate and trade amount due from an associate where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification of debt and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Bonds contain liability component and early redemption option derivative

At the date of issue, early redemption option that is closely related to the liability component is not separately accounted for and recognised at fair value at initial recognition. In subsequent periods, bonds are carried at amortised cost using the effective interest method. Transaction costs are included in the carrying amount of the bonds and amortised over the period of the bonds using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bank borrowing and bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of property, plant and equipment, and right-of-use assets related to cold storage business

Property, plant and equipment, and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether these assets are impaired, the Group has to exercise judgment and make estimation, particularly in assessing (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of a property, plant and equipment and right-of-use asset, the Group estimates the recoverable amounts of the cash-generating units ("CGUs") to which the assets belong.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment and right-of-use assets related to cold storage business (continued)

The management of the Group engaged independent professional valuers in assisting the preparation of cash flow projections of the relevant CGUs to which the property, plant and equipment, and right-of-use assets belong in estimating the recoverable amounts of the CGUs. Certain assumptions, including occupancy rates and growth in charge rates, made by the directors of the Company and the estimation of the discount rates applied made by independent professional valuers in the impairment assessment are considered to be key areas of judgement. The discount rate represents a rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Where the actual future cash flows are less than expected or there is a downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise.

As at 31st December, 2019, the carrying amounts of the property, plant and equipment and right-of-use assets related to two CGUs are HK$4,499,000 and HK$259,565,000. No impairment loss in respect of these property, plant and equipment and right-of-use assets has been recognised in profit or loss during the current year (2018: nil).

Provision of ECL for loan to an associate

Loan to an associate is assessed for ECL under lifetime ECL model individually as the credit risk of the loan to an associate has increased significantly since initial recognition and the loan is considered as doubtful. The management of the Group estimates the amount of ECL of the loan to an associate based on the historical observed default rates over the expected life of the loan and are adjusted by forward-looking information, by taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows of the loan to an associate. The amount of ECL of loan to an associate is calculated by discounting the difference between the principal amount of the loan and the expected repayments, if any, at an effective interest rate determined at initial recognition of such loan, which represents the credit risk of the associate.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan to an associate are disclosed in note 38.

Estimated impairment of interest in an associate

As at 31st December, 2019, in view of the actual performance of the associate is below budget, the Group performed impairment assessment on its interest in an associate. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The value in use calculation requires the management of the Group to estimate the present value of the estimated cash flows expected to be received from the associate. In cases where the actual cash flows are less or more than expected, or change in facts and circumstances which result in revision of future cash flows estimation, a material reversal or further recognition of impairment may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

As at 31st December, 2019, the carrying amount of the associate amounted to HK$4,072,000 (2018: HK$10,998,000), after taking into account the impairment of HK$7,500,000 (2018: nil) recognised in profit or loss during the year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision of ECL for trade receivables and trade amount due from an associate

Trade receivables and trade amount due from an associate are assessed for ECL under lifetime ECL model. The management of the Group estimates the amount of ECL for trade receivables with significant balances and trade amount due from an associate individually whereas the remaining balance of trade receivables are assessed based on provision matrix by grouping various trade receivables that have similar risk exposure after considering internal credit ratings, ageing, repayment history and/or past due status and forward-looking information of respective trade receivables to calculate ECL. The measurement of ECL is based on the Group's historical default rates taking into consideration the historical data adjusted by forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade receivables and trade amount due from as associate are disclosed in note 38.

Provision of ECL for loan receivables

Loan receivables are assessed for ECL individually. Loan receivables that are considered, with reference to internal credit rating, as low risk are assessed under 12m ECL, while loan receivables that are considered as doubtful or loss are assessed under lifetime ECL. The management of Group estimates the amount of ECL based on the Group's historical default rates on these loans by taking into consideration the Group's internal credit ratings of these loans, ageing, repayment history and/or past due status of respective loans. Estimated loss rates are based on historical observed default rates over the expected life of the loans and are adjusted by forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan receivables are disclosed in note 38.

Fair values measurement of derivative financial instruments

The Group has entered into an investment agreement with two investors and granted one of the investors with two exit options in accordance with the agreement. The exit options granted to the investor are considered as derivative financial instruments and initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The fair values of the derivative financial instruments are being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the estimated fair values of these instruments. As at 31st December, 2019, the Group's derivative financial instruments amounting to a liability of HK$6,725,000 (2018: HK$6,478,000) are measured at fair values. Details of such derivative financial instruments and its fair value measurement are set out in notes 30 and 38(c) respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the year ended 31st December, 2019			For the year ended 31st December, 2018		
	Cold storage and related service segment HK$'000	Trading of food and beverage segment HK$'000	Total HK$'000	Cold storage and related service segment HK$'000	Trading of food and beverage segment HK$'000	Total HK$'000
Types of goods or services						
Revenue from provision of cold storage and related services						
Cold storage	**130,955**	**–**	**130,955**	171,042	–	171,042
Loading and handling services	**6,848**	**–**	**6,848**	9,522	–	9,522
Logistic and packing services	**46,774**	**–**	**46,774**	43,807	–	43,807
Manufacturing and trading of ice	**–**	**–**	**–**	196	–	196
Management income	**7,406**	**–**	**7,406**	–	–	–
	191,983	**–**	**191,983**	224,567	–	224,567
Revenue from trading of food and beverage	**–**	**95,044**	**95,044**	–	75,076	75,076
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643
Geographical markets						
Mainland China	**–**	**95,044**	**95,044**	–	75,076	75,076
Hong Kong	**191,983**	**–**	**191,983**	224,567	–	224,567
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643
Timing of revenue recognition						
A point in time	**–**	**95,044**	**95,044**	196	75,076	75,272
Over time	**191,983**	**–**	**191,983**	224,371	–	224,371
Total	**191,983**	**95,044**	**287,027**	224,567	75,076	299,643

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

Performance obligations for contracts with customers

Cold storage, loading and handling, logistic and packing services, and management income

Cold storage, loading and handling, logistic and packing services, and management income are considered to be a distinct service as they are regularly supplied by the Group to customers and the associate on a stand-alone basis and is available for customers and the associate from other providers in the market. Revenue relating to these services is recognised over time. The transaction price allocated to these services is recognised as a contract liability at the time of the initial sales transaction and is released on a straight-line basis over the period of service.

With the provision these services are at a period of one year or less, as permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

Manufacturing and trade of ice and trading of food and beverage

The Group sells ice and food and beverage directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 60 days upon delivery.

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Cold storage and related services in Hong Kong ("Cold storage and related services")

2. Trading of food and beverage in the PRC ("Trading of food and beverage")

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segments revenues and results

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

2019

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	**191,983**	**95,044**	**2,588**	**289,615**
Segment (loss) profit	**(38,176)**	**(11,796)**	**475**	**(49,497)**
Unallocated income				**1,015**
Unallocated expenses				**(13,824)**
Change in fair value of financial assets at FVTPL				**(45)**
Finance costs				**(4,787)**
Loss before tax				**(67,138)**

2018

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	224,567	75,076	9,603	309,246
Segment (loss) profit	(12,029)	(13,053)	2,626	(22,456)
Unallocated income				1,039
Unallocated expenses				(15,072)
Change in fair value of financial assets at FVTPL				(171)
Finance costs				(1,274)
Loss before tax				(37,934)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of certain other income, central administration costs that mainly include partly auditor's remuneration, rental expenses and directors' remuneration, change in fair value of financial assets at FVTPL and certain finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segment assets and liabilities

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

	2019 HK$'000	2018 HK$'000
Assets		
Cold storage and related services	**366,308**	146,447
Trading of food and beverage	**28,346**	16,075
Money lending services	**2,056**	68,546
Total segment assets	**396,710**	231,068
Unallocated assets	**188,750**	164,413
Consolidated assets	**585,460**	395,481
Liabilities		
Cold storage and related services	**348,602**	91,408
Trading of food and beverage	**13,603**	10,851
Money lending services	**3,138**	71,309
Total segment liabilities	**365,343**	173,568
Unallocated liabilities	**103,395**	35,096
Consolidated liabilities	**468,738**	208,664

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVTPL, equity instrument at FVTOCI, pledged bank deposits, certain bank balances and cash, certain property, plant and equipment, certain right-of-use assets and certain other receivables and prepayments; and

- all liabilities are allocated to operating segments other than certain obligations under finance leases, certain bonds and certain other payables.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information

2019

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	8,097	135	–	8,232	1,166	9,398
Additions to right-of-use assets	21,177	3,675	–	24,852	1,798	26,650
Change in fair value of derivative financial instruments	247	–	–	247	–	247
Depreciation of property, plant and equipment	3,179	10	–	3,189	136	3,325
Depreciation of right-of-use assets	69,483	1,036	–	70,519	2,047	72,566
Loss on disposal of property, plant and equipment	177	–	–	177	–	177
Impairment losses under expected credit loss model, net of reversal						
– loan receivables	–	–	16	16	–	16
– trade receivables	(393)	750	–	357	–	357
Impairment loss recognised on interest in an associate	7,500	–	–	7,500	–	7,500
Imputed interest income on loan to an associate	3,833	–	–	3,833	–	3,833
Share of loss of an associate	21,954	–	–	21,954	–	21,954

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information (continued)

2018

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	2,079	428	–	2,507	–	2,507
Change in fair value of derivative financial instruments	6,478	–	–	6,478	–	6,478
Depreciation of property, plant and equipment	4,310	606	–	4,916	292	5,208
Gain on disposal of property, plant and equipment	(191)	–	–	(191)	–	(191)
Impairment losses under expected credit loss model, net of reversal						
– loan receivables	–	–	849	849	–	849
– trade receivables	500	6	–	506	–	506
Imputed interest income on loan to an associate	281	–	–	281	–	281
Share of loss of an associate	8,021	–	–	8,021	–	8,021

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Unallocated	
	2019	2018
	HK$'000	HK$'000
Interest income from bank deposits	**1,008**	972
Interest expense	**(4,787)**	(1,274)
Change in fair value of financial assets at FVTPL	**(45)**	(171)

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about of the Group's non-current assets by geographical location of the assets (excluding loan to an associate, financial assets at FVTPL, equity instrument at FVTOCI, pledged bank deposits, rental deposits paid and loan receivables) are set out below:

	2019	2018
	HK$'000	HK$'000
Hong Kong	**275,603**	15,917
The PRC	**3,240**	25
	278,843	15,942

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2019	2018
	HK$'000	HK$'000
Cold storage and related services:		
Revenue from provision of cold storage and logistic services	**191,983**	224,371
Manufacturing and trading of ice	**–**	196
Trading of food and beverage	**95,044**	75,076
Interest income from money lending services	**2,588**	9,603
	289,615	309,246

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019 **HK$'000**	2018 HK$'000
Customer A[1]	**42,842**	N/A[3]
Customer B[1]	**33,385**	N/A[3]
Customer C[2]	**31,518**	N/A[3]
Customer D[2]	**N/A[3]**	34,683

1 Revenue from trading of food and beverage in the PRC
2 Revenue from provision of cold storage and related services in Hong Kong
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Government subsidy	**3**	338
Imputed interest income on loan to an associate	**3,833**	281
Imputed interest income on rental deposits paid	**758**	–
Interest income from bank deposits	**1,008**	972
Sundry income	**378**	195
	5,980	1,786

7. OTHER GAINS AND LOSSES

	2019 **HK$'000**	2018 HK$'000
Change in fair value of derivative financial instruments	**(247)**	(6,478)
Change in fair value of financial assets at FVTPL	**(45)**	(171)
(Loss) gain on disposal of property, plant and equipment	**(177)**	191
	(469)	(6,458)

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expense on bank borrowing	**4,591**	748
Interest expense on bonds	**6,000**	6,000
Interest expense on lease liabilities	**12,764**	–
Interest expense on obligations under finance leases	**–**	17
	23,355	6,765

9. TAXATION

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

No provision for Hong Kong Profits Tax and EIT has been made as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profit for both years presented.

9. TAXATION (continued)

Taxation for the year can be reconciled from the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before tax	**(67,138)**	(37,934)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(11,078)**	(6,259)
Tax effect of share of loss of an associate	**3,622**	1,323
Tax effect of expenses not deductible for tax purpose	**1,542**	1,299
Tax effect of income not taxable for tax purpose	**(260)**	(230)
Tax effect of tax losses not recognised	**7,175**	5,744
Utilisation of tax losses previously not recognised	**(189)**	(869)
Tax effect of other deductible temporary differences not recognised	**–**	42
Utilisation of other deductible temporary differences previously not recognised	**(410)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(402)**	(1,050)
Taxation for the year	**–**	–

Details of deferred taxation are set out in note 28.

10. LOSS FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
– audit service	**1,500**	2,210
– non-audit service	**49**	480
Cost of inventories recognised as expenses	**76,253**	54,780
Depreciation for property, plant and equipment	**3,325**	5,208
Depreciation for right-of-use assets	**72,566**	–
Impairment loss under expected credit loss model, net of reversal		
– loan receivables	**16**	849
– trade receivables	**357**	506
Minimum lease payments for operating leases in respect of rented premises	**–**	103,035
Net foreign exchange loss	**68**	34
Staff costs, including directors' remuneration		
– salaries and other benefits costs	**70,487**	73,972
– contributions to retirement benefits schemes	**4,625**	4,171

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors were as follows:

	Executive directors (Note a)				Non-executive directors (Note b)		Independent non-executive directors (Note c)			
	Fung Pak Kei HK$'000 (Note e)	Choy Kai Sing HK$'000 (Note f)	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000 (Note g)	Fung Wa Ko HK$'000	Au Tat Wai HK$'000 (Note g)	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total HK$'000
2019										
Fees	69	59	132	70	155	2	275	155	155	1,072
Other emoluments										
Salaries and other benefits	564	735	1,306	841	–	–	–	–	–	3,446
Performance related bonuses (Note d)	40	108	–	110	–	–	–	–	–	258
Contributions to retirement benefits schemes	17	56	21	57	–	–	–	–	–	151
Total emoluments	690	958	1,459	1,078	155	2	275	155	155	4,927

	Executive directors (Note a)			Non-executive director (Note b)	Independent non-executive directors (Note c)			
	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Fung Wa Ko HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total HK$'000
2018								
Fees	132	132	72	120	120	120	120	816
Other emoluments								
Salaries and other benefits	1,314	1,268	1,341	–	–	–	–	3,923
Performance related bonuses (Note d)	202	97	206	–	–	–	–	505
Contributions to retirement benefits schemes	106	21	75	–	–	–	–	202
Total emoluments	1,754	1,518	1,694	120	120	120	120	5,446

Notes:

a. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

b. The non-executive directors' emoluments shown above were for their services as directors of the Company.

c. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

d. Certain executive directors of the Company are entitled to bonus payments which are determined based on the financial performance of the Group in prior year.

e. Mr. Fung Pak Kei has been appointed as an executive director of the Company with effective from 4th June, 2019.

f. Mr. Choy Kai Sing has resigned as an executive director of the Company with effective from 4th June, 2019.

g. Mr. Au Tat Wai has been re-designated from an executive director to a non-executive director of the Company on 20th December, 2019.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Mr. Au Tat Wai has resigned as the Chief Executive Officer ("CEO") with effect from 4th June, 2019. His emoluments disclosed above include those for services rendered by him as the CEO.

Mr. Ho Hon Chung, Ivan has been appointed as the acting CEO with effect from 4th June, 2019, his emoluments disclosed above include those for services rendered by him as the acting CEO.

Neither the CEO nor any of the directors waived any emoluments in the years ended 31st December, 2019 and 31st December, 2018.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors of the Company whose emoluments are included in the disclosures in the table above. The emolument of three (2018: two) individuals, including one of the individuals who is resigned as director and continued to be the employee of the Group during the year, were as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and other benefits	**2,622**	1,671
Contributions to retirement benefits scheme	**136**	36
	2,758	1,707

Their emoluments were within the following band:

	2019 **Number of employees**	2018 Number of employees
Nil to HK$1,000,000	**3**	2

12. DIVIDEND

No interim dividend was paid during the year (2018: nil), nor has any dividend been proposed since the end of the reporting period (2018: nil).

13. LOSS PER SHARE

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

Loss	**2019 HK$'000**	2018 HK$'000
Loss for the purpose of basic loss per share attributable to owners of the Company	**67,138**	37,934
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,432,304**	2,432,304

No diluted loss per share is presented as there were no potential ordinary shares in issue for years ended 31st December, 2019 and 31st December, 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST					
At 1st January, 2018	21,017	1,847	11,803	23,255	57,922
Additions	–	35	413	2,059	2,507
Disposals	–	–	(1,049)	(1,374)	(2,423)
At 31st December, 2018	21,017	1,882	11,167	23,940	58,006
Adjustments upon application of HKFRS 16 (note 2)	–	–	(1,659)	–	(1,659)
At 1st January, 2019 (as restated)	21,017	1,882	9,508	23,940	56,347
Additions	1,996	657	75	6,670	9,398
Disposals/written off	(11,825)	(658)	(6)	(4,428)	(16,917)
At 31st December, 2019	11,188	1,881	9,577	26,182	48,828
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2018	20,259	1,838	8,554	19,693	50,344
Provided for the year	644	26	2,278	2,260	5,208
Eliminated on disposals	–	–	(1,048)	(1,374)	(2,422)
At 31st December, 2018	20,903	1,864	9,784	20,579	53,130
Adjustments upon application of HKFRS 16 (note 2)	–	–	(1,266)	–	(1,266)
At 1st January, 2019 (as restated)	20,903	1,864	8,518	20,579	51,864
Provided for the year	188	197	648	2,292	3,325
Eliminated on disposals/written off	(11,755)	(654)	(6)	(4,320)	(16,735)
At 31st December, 2019	9,336	1,407	9,160	18,551	38,454
CARRYING VALUES					
At 31st December, 2019	1,852	474	417	7,631	10,374
At 31st December, 2018	114	18	1,383	3,361	4,876

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on their cost less their residual values on a straight-line method basis at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases, or 10%
Furniture and fixtures	10% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	15% – 50% or over the shorter of terms of the leases

The carrying value of motor vehicles include an amount of HK$393,000 in respect of assets held under finance leases as at 31st December, 2018.

Details of impairment assessment of property, plant and equipment related to cold storage business are set out in note 15.

15. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK$'000	Offices HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1st January, 2019				
Carrying amount	**307,870**	**1,958**	**393**	**310,221**
As at 31st December, 2019				
Carrying amount	**259,565**	**4,622**	**142**	**264,329**
For the year ended 31st December, 2019				
Depreciation charge	**(69,483)**	**(2,832)**	**(251)**	**(72,566)**
Exchange adjustments	**–**	**(110)**	**–**	**(110)**
Total cash outflow for leases				**84,899**
Additions to right-of-use assets				**26,784**

The above right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

For both years, the Group leases various offices premises and two cold storage warehouses for its operations. Lease contracts are entered into for fixed term of 24 months to 8 years, but may have extension and termination options as described below. Certain leases of motor vehicles were accounted for as finance leases during the year ended 31st December, 2018 and carried interest ranged from 1.40% to 1.49% per annum. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension and/or termination options in both leases for its cold storage warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. One of the extension and termination options of the leases held are exercisable only by the Group and not by the respective lessors.

15. RIGHT-OF-USE ASSETS (continued)

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain not to exercise and termination options in which the Group is not reasonably certain not to exercise is summarised below:

	Lease liabilities recognised as at 31st December, 2019 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Cold storage warehouse – Hong Kong	**15,341**	26,910

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31st December, 2019, there is no such triggering event.

Impairment assessment on property, plant and equipment, and right-of-use assets related to cold storage business

The Group has been experiencing recurring losses on the cold storage and related services segment. The management of the Group considered there were impairment indicators in respect of the property, plant and equipment, and right-of-use assets related to cold storage business and, conducted impairment assessment on the recoverable amounts of property, plant and equipment, and right-of-use assets with carrying amounts of HK$4,499,000 and HK$259,565,000 respectively. The Group leases two cold storage warehouses, and estimates the recoverable amounts of two CGUs of the cold storage and related services segment to which the assets belong.

The recoverable amount of CGUs has been determined based on a value in use calculation. The management of the Group engaged an independent professional valuers in assisting the preparation of cash flow projections. That calculation uses cash flow projections based on financial budgets approved by the management of the Group and the key inputs are as below:

	CGU 1 HK$'000	CGU 2 HK$'000
Underlying property, plant and equipment	1,943	2,556
Underlying right-of-use assets	245,447	14,118
Number of months under projections	50 months	24 months
Annual occupancy rates	79% – 83%	67% – 70%
Annual growth in charge rates	4% – 5%	6%
Pre-tax discount rate	15.36%	15.94%

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

The cash flow projections are covering years up to the end of the underlying leases with the pre-tax discount rate of 15.36% and 15.94% for CGU 1 and CGU 2 respectively as at 31st December, 2019. The annual occupancy rates and annual growth in charge rates used are estimated based on the entity-specific historical information.

15. RIGHT-OF-USE ASSETS (continued)

Based on the result of the assessment, the management of the Group determined that the recoverable amounts of the CGUs are higher than the carrying amounts and no impairment has been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets.

16. GOODWILL

	2019 HK$'000	2018 HK$'000
COST		
At 1st January and at 31st December	**14,981**	14,981
IMPAIRMENT		
At 1st January and 31st December	**14,913**	14,913
CARRYING VALUES		
At 31st December	**68**	68

Included in the balance is goodwill arising from acquisition of subsidiaries in cold storage and related services segment amounted to nil, net of impairment of HK$14,913,000 (2018: HK$14,913,000) during the year ended 31st December, 2006, of which full impairment loss was recognised in prior years. The remaining balance of goodwill of HK$68,000 (2018: HK$68,000) was arising from acquisition of a subsidiary in the segment of money lending services in prior years.

17. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Interest in an associate (Note a):		
Cost of investment in an associate	–*	–*
Fair value adjustment on non-current interest-free loan to an associate	**42,079**	19,019
Share of post-acquisition losses and other comprehensive expenses	**(29,975)**	(8,021)
Share of post-acquisition losses and other comprehensive expenses arising from adoption of HKFRS 16	**(532)**	–
Impairment loss recognised (Note b)	**(7,500)**	–
	4,072	10,998
Loan to an associate (Note c)	**39,255**	47,525
Amount due from an associate (Note d)	**8,077**	–

* Less than HK$1,000

17. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

Notes:

a. Details of the associates held by the Company as at 31st December, 2019 and 2018 are as follows:

Name of associates	Country of incorporation/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2019	2018	**2019**	2018	
		%	%	**%**	%	
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")	Hong Kong	**30**	30	**20**	20	Provision of cold storage and related services

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 have significant influence or 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.

b. During the year ended 31st December, 2019, the actual performance of the associate is below budget. The management of the Group considered there were impairment indicators and hence conducted an impairment assessment on the interest in an associate by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount. Based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the value in use, which is lower than its carrying amount and an impairment loss of HK$7,500,000 (2018: nil) is recognised. The value in use calculations used cash flow projections based on latest financial budgets prepared by the management of the associate covering a period of 5 years. The cash flows beyond the 5-year period are extrapolated with zero growth rate, and discounted at 16.13% per annum which was determined by an independent professional valuer engaged by the Group.

c. At 31st December, 2019, loan to an associate is unsecured, interest-free and not expected to be repaid within one year after the reporting period. Fair value of the loan to an associate on initial recognition is determined based on effective interest rate of 7% (2018: 7%) per annum. The difference between the principal amount of the loan and its fair value determined on initial recognition amounting to HK$23,060,000 (2018: HK$19,019,000), has been included in the investment cost in an associate as deemed contribution to the associate during the current year. Loan to an associate is considered as long-term interest that, in substance form part of the Group's net investments in the relevant associate.

d. At 31st December, 2019, amount due from an associate of HK$8,077,000 (2018: nil) is unsecured, interest-free and repayable on demand. Included in the balances was amount with a carrying amount of HK$7,406,000 (2018: nil) which is trade nature.

There is no credit term on the trade amount due from an associate. The following was an aged analysis of trade amount due from an associate presented based on invoice date at the end of each reporting period and the amount was past due but not impaired:

	2019 HK$'000	2018 HK$'000
1 to 30 days	**913**	–
31 to 60 days	**883**	–
61 to 90 days	**852**	–
Over 90 days	**4,758**	–
	7,406	–

The amount of HK$4,758,000 was past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under ECL model for amount due from an associate over 90 days past due based on no significant change in credit quality after assessing the associate's financial background as well as continuous business relationship with the associate. Details of impairment assessment of loan to an associate and amount due from an associate were set out in note 38.

17. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE/AMOUNT DUE FROM AN ASSOCIATE (continued)

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.

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

	2019 HK$'000	2018 HK$'000
Current assets	**21,249**	3,624
Non-current assets	**314,324**	158,942
Current liabilities	**(77,124)**	(23,176)
Non-current liabilities	**(246,106)**	(119,692)
	12,343	19,698
Revenue	**49,198**	–
Loss and other comprehensive expense for the year	**(73,180)**	(26,736)
Share of loss of an associate	**(21,954)**	(8,021)

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

	2019 HK$'000	2018 HK$'000
Net assets of the associate	**12,343**	19,698
Proportion of the Group's ownership interest in the associate	**30%**	30%
The Group's share of net assets of the associate	**3,703**	5,909
Other adjustment (Note)	**7,869**	5,089
Less: Impairment loss recognised	**(7,500)**	–
Carrying amount of the Group's interest in the associate	**4,072**	10,998

Note: It represents the differences in calculating the fair value adjustment on non-current interest free loan to an associate in the Group's consolidated financial statements and the shareholders' loans in the associate's financial statements.

18. FINANCIAL ASSETS AT FVTPL

	2019	2018
	HK$'000	HK$'000
Equity securities listed in Hong Kong		
Financial assets at FVTPL	**686**	731

19. EQUITY INSTRUMENT AT FVTOCI

	2019	2018
	HK$'000	HK$'000
Equity instrument at FVTOCI	**–**	–

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"). The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate nor appoint any director to the board of directors of Richbo and accordingly, the investment is not classified as associate.

During the year ended 31st December, 2019, Richbo distributed dividend of HK$8,000,000 (2018: HK$39,042,000) to the Group for recovery of its investment in Richbo. The amount was settled in cash (2018: through the outstanding of amount due to the investee of the same amount).

At 31st December, 2019 and 2018, the equity instrument in Richbo is measured at fair value. Since Richbo remains inactive and has insignificant amount of net asset value as at 31st December, 2019 and 2018, the management considers that the fair value of the equity instrument is minimal.

20. LOAN RECEIVABLES

	2019 HK$'000	2018 HK$'000
Loan receivables	**2,840**	69,313
Less: Allowance for credit loss	**(865)**	(849)
	1,975	68,464
Secured loans (Note)	–	65,973
Unsecured loans	**1,975**	2,491
	1,975	68,464
Less: Amount due within one year and classified under current assets	**(1,975)**	(40,464)
Amount due after one year	–	28,000

Note:

At 31st December, 2018,

(i) the Group hold collateral of some property interests located in Hong Kong over secured loan receivables of HK$46,461,000. The directors of the Company considered the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, was insignificant, as the fair value of the collateral (property interests) was higher than the outstanding amount of these receivables. Such loan is fully repaid in the current year; and

(ii) the Group hold collateral of some equity interests in unlisted companies for secured loan receivables of HK$19,512,000 which is fully repaid in the current year.

As at 31st December, 2019 and 2018, unsecured loan receivables carry fixed-rate interests ranged from 11% to 12% per annum and with maturity ranged from 6 months to 2.5 years. At 31st December, 2018, secured loan receivables carried fixed-rate interests ranged from 11% to 24% per annum and with maturity ranging from 5 months to 4 years. All amounts of principal will be receivable on respective maturity dates.

The maturity dates of the Group's fixed-rate loan receivables before net of allowance of credit loss are as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**2,840**	41,313
In more than one year but not more than two years	–	10,000
In more than two years but not more than five years	–	18,000
	2,840	69,313

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

As at 31st December, 2019, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK$340,000 (2018: nil) which are past due as at the reporting date, of which HK$340,000 (2018: nil) has been past due more than 30 days but less than 90 days. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses were made for irrecoverable amount.

As at 31st December, 2019, included in the carrying amount of loan receivables is accumulated impairment losses of HK$865,000 (2018: HK$849,000). Details of impairment assessment of loan receivables are set out in note 38.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 **HK$'000**	2018 HK$'000
Trade receivables	**51,200**	67,929
Less: Allowance for credit loss	**(863)**	(506)
	50,337	67,423
Other receivables	**1,004**	1,090
Deposits and prepayments	**3,612**	5,817
Rental deposits	**521**	543
	55,474	74,873

As at 1st January, 2018, trade receivables from contracts with customers amounted to HK$53,018,000.

The following is an aged analysis of trade receivables (net of allowance for credit loss) presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates.

	2019 **HK$'000**	2018 HK$'000
0 to 30 days	**20,897**	24,926
31 to 60 days	**17,413**	20,010
61 to 90 days	**6,468**	10,446
91 to 120 days	**2,477**	6,168
More than 120 days	**3,082**	5,873
	50,337	67,423

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

As at 31st December, 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$31,215,000 (2018: HK$45,655,000) which are past due at the reporting date. Out of the past due balances, HK$3,294,000 (2018: HK$3,290,000) has been past due 90 days or more and is not considered as in default as the default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. The Group does not hold any collateral over these balances.

The Group's other receivables balance mainly includes interest income receivables of HK$756,000 (2018: HK$775,000) from deposits in banks and advances to employees for daily operations in which the directors of the Company consider that the allowance for credit losses for other receivables is insignificant to the Group.

Details of impairment assessment of trade and other receivables are set out in note 38.

22. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 1% (2018: 0.7%) per annum.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit loss is provided.

23. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**10,911**	13,484
Accrued staff costs	**4,920**	5,012
Bond interest payable	**2,992**	2,992
Other payables, deposits received and accrued charges	**4,386**	7,877
	23,209	29,365

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

	2019 HK$'000	2018 HK$'000
0 to 30 days	**2,271**	7,626
31 to 60 days	**889**	2,479
61 to 90 days	**6,953**	629
91 to 120 days	**470**	2,103
More than 120 days	**328**	647
	10,911	13,484

No credit period is generally allowed by creditors and no interest is charged on trade creditors.

24. CONTRACT LIABILITIES

	2019 **HK$'000**	2018 HK$'000
Cold storage services	**4,894**	7,530

As at 1st January, 2018, contract liabilities amounted to HK$6,932,000.

Contract liabilities represent related to advance billings to customers for cold storage services but revenue has not recognised as performance obligations has not yet satisfied before the end of reporting period. The Group normally request payments from customers one-month in advance for cold storage services.

During the year ended 31st December, 2019, revenue recognised that was included in the contract liability balances at the beginning of the year amounted to HK$7,530,000 (2018: HK$6,932,000).

25. BANK BORROWING

	2019 **HK$'000**	2018 HK$'000
Fixed-rate unsecured bank borrowing	**65,000**	65,000
Carrying amount of bank borrowing that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment date set out in the loan agreement is:		
Within one year	**65,000**	–
Within a period of more than one year but not more than two years	–	65,000
	65,000	65,000

The borrowing is payable in full on 23rd April, 2020. The effective interest rate (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowing is 7% (2018: 7%) per annum.

26. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	**63,475**
Within a period of more than one year but not more than two years	**67,899**
Within a period of more than two years but not more than five years	**137,536**
	268,910
Less: Amount due for settlement with twelve months shown under current liabilities	**(63,475)**
Amount due for settlement after twelve months shown under non-current liabilities	**205,435**

27. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2018 HK$'000	Present value of minimum lease payments 2018 HK$'000
Within one year	210	203
Within a period more than one year but not more than two years	88	88
	298	291
Less: Future finance charges	(7)	
Present value of lease obligations	291	
Less: Amount due for settlement within one year shown under current liabilities		(203)
Amount due for settlement after one year shown under non-current liabilities		88

The obligations under finance lease at 31st December, 2018 represented the finance leases for two motor vehicles. The term of the leases ranged from four to five year at a rate ranged from 1.40% to 1.49% per annum. The obligations were secured by the lessor's charge over the leased assets. Such amounts were reclassified to lease liabilities upon transition to HKFRS 16 as at 1st January, 2019.

28. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2018	346	(346)	–
(Charged) credited to profit or loss	(249)	249	–
At 31st December, 2018	97	(97)	–
Credited (charged) to profit or loss	382	(382)	–
At 31st December, 2019	479	(479)	–

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has unused tax losses of HK$205,224,000 (2018: HK$178,425,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,903,000 (2018: HK$586,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$202,321,000 (2018: HK$177,839,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$71,698,000 (2018: HK$76,141,000) that will expire from 2020 to 2024 (2018: 2019 to 2023). Other losses are carried forward indefinitely. During the year, tax losses HK$17,857,000 (2018: HK$3,589,000) was expired.

At the end of the reporting period, the Group has other deductible temporary differences of HK$1,121,000 (2018: HK$3,607,000) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

29. SHARE CAPITAL

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

30. DERIVATIVE FINANCIAL INSTRUMENTS

On 6th September, 2018, the Group entered into an agreement (the "JV 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 (subject to its fulfillment of its obligation under the joint venture agreement) 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.

(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.

The Group engages third party qualified valuers to perform the valuation. The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The major input of the fair value measurement for the First Put Option is the probability that the Group fails to meet the KPIs. Since Investor A and BCCS fails to fulfill certain obligations under the JV Agreement and BCCS has failed to fulfill certain obligations under the management service agreement, the management of the Group consider the KPIs will only be effective upon the fulfillment of both Investor A and BCCS of their obligations under the JV Agreement and the management service agreement, the fair value of the First Put Option at 31st December, 2019 is insignificant. The Group has not recognised any fair value of the First Put Option in the consolidated financial statements.

30. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The fair value of the Second Put Option at 31st December, 2019 amounted to approximately US$864,000 (equivalent to HK$6,725,000) (2018: US$832,000 (equivalent to HK$6,478,000)). The fair value was calculated using Binomial Model and the inputs into the model were as follows:

	2019	2018
Underlying asset value based on the cash flow forecast (Investor A's interest in Loving Peace)	**US$8,139,000**	US$9,754,000
Exercise price	**US$6,000,000**	US$6,000,000
Risk free rate	**1.68%**	1.81%
Volatility	**35.78%**	37.59%
Dividend yield	**0%**	0%

31. BONDS

On 13th November, 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds in an aggregated principal amount of up to HK$500,000,000. During the years ended 31st December, 2015 and 31st December, 2014, the Company issued bonds with total principal amount of HK$60,000,000 and HK$40,000,000 respectively.

The principal terms of the bonds are summarised below:

Aggregate principal amount: Up to HK$500,000,000

Denomination: In denomination of HK$10,000,000 each in the minimum (or for any amount over HK$10,000,000, in integral multiples of HK$10,000,000 each).

Interest: 6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.

Maturity date: The seventh anniversary of the date of issue of the relevant bond.

Early redemption: The Company may at any time before the maturity date and from time to time by serving at least ten days' prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

At the end of the reporting period, interest on bonds payable at par value of HK$100,000,000 (2018: HK$100,000,000) is payable annually and the principal is repayable in full upon maturity.

32. SHARE OPTION SCHEME

The Company adopted a share option scheme on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

The Company currently operates the 2015 Scheme, under which the board of directors may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated therein.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out below:

(a) Purpose:

The purpose of the 2015 Scheme is to provide incentives and rewards to the eligible participants who, in the sole discretion of the board of directors, has contributed or may contribute to the growth and development of the Group in recognition of their contribution to the Group.

(b) Eligibility:

Eligible participants include any full time or part time employees of the Group or any invested entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary or any invested entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any invested entity or any person who, in the sole discretion of the board of directors, has contributed or may contribute to the growth and development of the Group eligible for options under the 2015 Scheme.

(c) (1) Total number of shares in the capital of the Company available for issue under the 2015 scheme as at end of the reporting period: 243,230,400 (2018: 243,230,400); and

(2) Percentage of the issued share capital that it represents as at end of the reporting period: 10%.

(d) Maximum entitlement of each eligible participant under the 2015 Scheme:

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to:

(1) each eligible participant must not exceed 1.0% of the total number of shares in issue; and

(2) a substantial shareholder of the Company or an independent non-executive director must not exceed 0.1% of the total number of shares in issue and not exceed HK$5 million in aggregate value.

32. SHARE OPTION SCHEME (continued)

(e) Period within which the shares must be taken up under an option:

An option may be exercised in whole or in part at any time during the period to be determined and notified by the directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option but subject to the provisions for early termination of the 2015 Scheme.

(f) Minimum period for which an option must be held before it can be exercised:

No specified minimum period for which an option must be held, unless otherwise specified by the board of directors at the time of grant.

(g) (1) Price payable on application or acceptance of the option: A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option;

(2) The period within which payments or calls must or may be made: 21 days after the offer date of an option (the "Offer Date"); and

(3) The period within which loans for the purposes of the payments or calls must be repaid: Not applicable.

(h) Basis of determining the subscription price:

The subscription price for shares under the 2015 Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of:

(1) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on the Offer Date, which must be a business day;

(2) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the Offer Date; and

(3) the nominal value of the share on the Offer Date.

(i) The remaining life of the 2015 Scheme: Approximately 6 years (2018: 7 years) (expiring on 1st June, 2025)

No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2006 Scheme. Since the Adoption Date and up to 31st December, 2019, no share options have been granted pursuant to the 2015 Scheme.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntaries contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost charged to the profit or loss of HK$4,625,000 (2018: HK$4,171,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no forfeited contributions available to reduce future contributions at the end of the reporting period.

34. PLEDGE OF ASSETS

As at 31st December, 2019, bank facilities for providing guarantees by a bank for the Group’s licence of operating cold storage service, to the extent of HK$3,500,000 (2018: HK$3,500,000) are secured by bank deposits amounting to HK$3,500,000 (2018: HK$3,500,000). The amount utilised at 31st December, 2019 was approximately HK$3,480,000 (2018: HK$3,480,000).

As at 31st December, 2019, bank deposits of HK$62,068,000 (2018: HK$101,853,000) are pledged to a bank, which provides bank guarantee in favour of one (2018: two) landlord for a sum equivalent to 12 months’ rent payable by the Group under tenancy agreements.

The pledged deposits bear interest at average prevailing market interest rate of 0.9% (2018: 0.9%) per annum.

The Group performed impairment assessment on pledged bank deposits balance and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

In addition, the Group’s obligations under finance leases at 31st December, 2018 were secured by the lessor’s charge over the leased assets as disclosed in note 27.

35. OPERATING LEASE

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses and offices in the future which fall due as follows:

	2018 HK$'000
Within one year	72,453
In the second to fifth year inclusive	263,287
Over five years	8,313
	344,053

At 31st December, 2018, the major lease contract is negotiated for term of eight years commencing from February 2019 and can be terminated by providing one year notice after the first four years of tenancy. The fixed monthly rentals are subject to review every five years.

36. CAPITAL COMMITMENT

	2019 HK$'000	2018 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	1,186

The Group's share of capital commitment made jointly with other investors relating to its associate, but not recognised at the end of the reporting period is as follows:

	2019 HK$'000	2018 HK$'000
Commitment to provide loan to an associate	–	10,929
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements of the associate	–	7,763

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank borrowing and bonds, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital, share premium and reserves.

The directors of the Company review the capital structure on a semi-annual basis. As a part of this review, the directors of the Company considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**686**	731
Financial assets at amortised cost	**299,604**	371,785
Financial liabilities		
Derivative financial instruments	**6,725**	6,478
Amortised cost	**185,087**	192,652
Lease liabilities	**268,910**	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loan to an associate, equity instrument at FVTOCI, rental deposits paid, trade and other receivables, amount due from an associate, pledged bank deposits, loan receivables, bank balances and cash, trade and other payables, derivative financial instrument and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowing (see note 25 for details), bonds (see note 31 for details) and lease liabilities (2018: obligation under finance lease) (see note 26 (2018: note 27) for details). The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(ii) Price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

Credit risk and impairment assessment

As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management of the Group annually.

Trade receivables and trade amount due from an associate arising from contracts with customers

For cold storage and related services and trading of food and beverage segments, the Group has concentration of credit risk as 18% (2018: 21%) and 67% (2018: 57%) of the total trade receivables (excluding trade amount due from an associate) was due from the Group's largest customer and the five largest customers, respectively. In addition, trade amount due from an associate arising from contracts with customers from cold storage and related services of HK$7,406,000 (2018: nil) was due from associate and has concentration of credit risk. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts and performed annual review on customers' and borrowers' credit quality.

In addition, the Group performs impairment assessment under ECL model on trade receivables (including trade amount due from an associate) at the end of the reporting period to ensure that adequate impairment loss are made for significant increase in likelihood or risk of a default occurring. The ECL on these assets are assessed for debtors with significant balances and collectively using a provision matrix with appropriate groupings. The credit risk of the trade amount due from an associate has increased significantly since initial recognition, thus, the amount is considered as doubtful and assessed under lifetime ECL. The management considered the trade amount due from an associate as low risk of default. No allowance of credit loss has been recognised on the balance.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables and trade amount due from an associate arising from contracts with customers (continued)

As part of the Group's credit risk management, the Group use debtors' aging to assess with the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors have been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Loan to an associate

Loan to an associate is assessed for ECL individually. The credit risk of the loan to an associate has increased significantly since initial recognition and the loan is considered as doubtful and assessed under lifetime ECL. The management of the Group estimates the amount of ECL of the loan to an associate based on the on historical observed default rates over the expected life of the loan and are adjusted by forward-looking information. The Group regularly monitors the business performance of the associate. The management of the Group has taken into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows of the loan to an associate and estimate the amount of ECL of loan to an associate by discounting the difference between the principal amount of the loan and the expected repayments, if any, at an effective interest rate determined at initial recognition of such loan, which represents the credit risk of the associate. Based on the assessment, no allowance of credit loss has been recognised in respect of the loan to an associate during the year.

The Group has concentration of credit risk relating to loan to an associate of HK$39,255,000 (2018: HK$47,525,000).

Other financial assets

ECL for all other instruments including loan and other receivables, non-trade amount due from an associate, and rental deposits paid are assessed individually. All other instruments that are considered, with reference to internal credit rating, as low risk are assessed under 12m ECL. All other instruments that are considered as doubtful or loss are assessed under lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The Group has concentration of credit risk relating to pledged bank deposits of HK$65,568,000 (2018: HK$101,353,000). For money lending services segment, the Group's loan receivables from two (2018: ten) borrowers represent 100% of loan receivables.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables (including amount due from an associate)	Other financial assets/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts and debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	Lifetime ECL/ 12-month ECL	Gross carrying amount 2019 HK$'000	Gross carrying amount 2018 HK$'000
Trade receivables	1	N/A	Low risk	Lifetime ECL (provision matrix)	**16,247**	28,559
			Low risk	Lifetime ECL	**34,953**	39,370
Loan to an associate	2	N/A	Doubtful (2018: low risk)	Lifetime ECL (2018: 12m ECL)	**39,255**	47,525
Trade amount due from an associate	2	N/A	Doubtful	Lifetime ECL	**7,406**	–
Non-trade amount due from an associate	2	N/A	Doubtful	Lifetime ECL	**671**	–
Loan receivables	3	N/A	Low risk	12m ECL	**–**	65,973
			Doubtful	Lifetime ECL	**2,504**	3,005
			Loss	Lifetime ECL	**336**	335
Other receivables	5	N/A	Low risk	12m ECL	**1,004**	1,090
Rental deposits paid	5	N/A	Low risk	12m ECL	**15,422**	26,031
Pledged bank deposits	4	A or above	N/A	12m ECL	**65,568**	105,353
Bank balances	4	A or above	N/A	12m ECL	**117,753**	55,727

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes:

1) During the year ended 31st December, 2018, the Group write off trade receivables of HK$549,000 as the trade receivables are over one year past due.

Trade receivables with significant outstanding balances with gross carrying amount of HK$34,953,000 (2018: HK$39,370,000) as at 31st December, 2019 for ECL were assessed individually. The default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. At 31st December, 2019, allowance of credit loss of HK$863,000 (2018: HK$506,000) is provided on these balances based on individual assessment.

The remaining trade receivables of HK$16,247,000 (2018: HK$28,559,000) which consists of a large number of customers which share common risk characteristics are assessed based on provision matrix. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31st December, 2019.

Gross carrying amount

	2019 **HK$'000**	2018 HK$'000
Current (not past due)	**9,742**	5,371
Past due		
– 1 to 30 days	**4,474**	12,835
– 31 to 60 days	**1,167**	7,437
– 61 to 90 days	**413**	2,553
– More than 90 days	**451**	363
At 31st December, 2019	**16,247**	28,559

At 31st December, 2019, the Group considered these trade receivables as low risk of default. No allowance of credit loss has been recognised on these balances based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 1st January, 2018	–	549	549
– Impairment losses recognised	506	–	506
– Write-offs	–	(549)	(549)
As at 31st December, 2018	506	–	506
– Impairment losses recognised	357	–	357
As at 31st December, 2019	863	–	863

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes: (continued)

2) Loan to an associate with gross carrying amount of HK$39,255,000 (2018: HK$47,525,000) and amount due from an associate with gross carrying amount of HK$8,077,000 (2018: nil) were assessed individually.

Loan to an associate is assessed for ECL under lifetime ECL model individually as the credit risk of the loan to an associate has increased significantly since initial recognition and the loan is considered as doubtful. The management of the Group estimates the amount of ECL of the loan to an associate based on the historical observed default rates over the expected life of the loan and are adjusted by forward-looking information, by taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows of the loan to an associate. The amount of ECL of loan to an associate is calculated by discounting the difference between the principal amount of the loan and the expected repayments, if any, at an effective interest rate determined at initial recognition of such loan, which represents the credit risk of the associate.

The trade and non-trade amount due from an associate is considered as doubtful and the default risk is based on the credit worthiness and forward-looking information available at the end of the reporting period.

Based on the assessment, the management of the Group considered that the ECL of the loan to an associate and amount due from an associate are insignificant.

3) As at 31st December, 2019, loan receivables with gross carrying amount of HK$2,840,000 (2018: HK$3,340,000) was assessed individually, in which HK$2,504,000 (2018: HK$3,005,000) and were considered as doubtful because they are either unsecured, interest were settled after the due date, or loan principals were extended at due date. There have been significant increase in credit risk since initial recognition but they are not credit-impaired. The Group reassesses lifetime ECL for these loan receivables. Credit loss allowance of HK$15,000 (2018: HK$514,000) was provided for these loan receivables after considered the historical observed default rates over the expected life of these loan receivables, which ranged from 6% to 20%, and forward-looking information at the end of the reporting period. Loan receivable with gross carrying amount of HK$336,000 (2018: HK$335,000) was considered as loss because the amount is unsecured, interest and principal were overdue over 90 days. Credit loss allowance of HK$1,000 (2018: HK$335,000) was provided for this receivable as there is evidence indicating that the receivable is credit-impaired.

As at 31st December, 2018, included in the balances are loan receivables with gross carrying amount of HK$65,973,000 secured by some property interests located in Hong Kong and some equity interests in unlisted companies were assessed individually. The directors of the Company consider the exposure of credit risk of these loan receivables is low after taking into account the value of the collateral, historical settlements of loan interests and other forward-looking information. 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 rate of default and 12m ECL of these loan receivables is considered as insignificant to the Group, and no allowance of credit loss is provided for these loan receivables. The amount of HK$65,973,000 was subsequently settled.

The following table shows the movement in lifetime ECL that has been recognised for loan receivables:

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1st January, 2018	–	–	–
– Impairment losses recognised	514	335	849
As at 31st December, 2018	514	335	849
– Impairment losses recognised	15	1	16
As at 31st December, 2019	529	336	865

4) The credit risk on liquid funds and pledged bank deposits are limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

5) The Group has assessed and concluded that the risk of default rate for the other financial assets are steady based on the Group's assessment of the financial health of the counterparties, historical default experience and forward-looking information available at the end of the reporting period. Thus, the management of the Group considered that the ECL of the other financial assets of the Group is insignificant as at 31st December, 2019 and 2018.

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities derivative financial instrument on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or 6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2019							
Non-derivative financial liabilities							
Non-interest bearing	–	17,095	–	–	–	17,095	17,095
Lease liabilities	4.63	37,260	37,307	75,971	145,444	295,982	268,910
Bank borrowing	7	65,000	–	–	–	65,000	65,000
Bonds	6	3,600	2,400	46,000	63,600	115,600	102,992
		122,955	39,707	121,971	209,044	493,677	453,997
Derivative financial instruments		–	–	–	6,725	6,725	6,725

	Weighted average effective interest rate %	On demand or 6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2018							
Non-derivative financial liabilities							
Non-interest bearing	–	24,660	–	–	–	24,660	24,660
Obligations under finance leases – fixed rate	1.45	105	105	88	–	298	291
Bank borrowing	7	65,000	–	–	–	65,000	65,000
Bonds	6	3,600	2,400	6,000	109,600	121,600	102,992
		93,365	2,505	6,088	109,600	211,558	192,943
Derivative financial instruments		–	–	–	6,478	6,478	6,478

Bank borrowing with a repayment on demand clause is included in the "on demand or 6 months or less" time band in the above maturity analysis. As at 31st December, 2019, the carrying amount of this bank borrowing amounted to HK$65,000,000 (2018: HK$65,000,000).

38. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Weighted average effective interest rate %	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments: 6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31st December, 2019	7	66,496	–	–	66,496	65,000
31st December, 2018	7	2,244	2,244	66,496	70,984	65,000

(c) Fair value measurements of financial instruments

Some of the Group's financial assets and financial liabilities 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 and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy

	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
2019			
Financial assets at FVTPL			
Held for trading listed equity securities (Note 1)	**686**	–	**686**
Equity instrument at FVTOCI			
Unlisted equity instrument (Note 3)	–	–	–
Financial liabilities			
Derivative financial liability (Note 2)	–	**6,725**	**6,725**
2018			
Financial assets at FVTPL			
Held for trading listed equity securities (Note 1)	731	–	731
Equity instrument at FVTOCI			
Unlisted equity instrument (Note 3)	–	–	–
Financial liabilities			
Derivative financial liability (Note 2)	–	6,478	6,478

38. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Notes:

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

2) The fair value of derivative financial instrument was calculated using Binomial Model. The significant unobservable input mainly include expected volatility of 35.78% (2018: 37.59%), taking account into volatility of other comparable listed companies in Hong Kong. A slight decrease in the expected volatility used in isolation would result in a decrease 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$1,010,000 (2018: HK$1,097,000)/decrease the carrying amount of the derivative by HK$993,000 (2018: HK$1,071,000). A 3% increase/decrease in the discount rate holding all other variables constant would increase the carrying amount of the derivative by HK$2,588,000/decrease the carrying amount of the derivative by HK$2,453,000.

3) Since Richbo remains inactive and has insignificant amount of net asset value as at 31st December, 2018 and 2019, the management considers that the fair value of the equity instrument is minimal.

There were no transfers between Levels 1 and 2 during the years.

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st January, 2018	39,042	–	39,042
Return on investment (note 18)	(39,042)	–	(39,042)
Change in fair value	–	6,478	6,478
At 31st December, 2018	–	6,478	6,478
Change in fair value	–	247	247
At 31st December, 2019	–	6,725	6,725

The directors consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an investee HK$'000	Bank borrowing HK$'000	Lease liabilities/ obligations under finance leases HK$'000	Bond interest payable HK$'000	Total HK$'000
As at 1st January, 2018	39,042	–	885	2,992	42,919
Financing cash flows:					
Interest paid	–	(748)	(17)	(6,000)	(6,765)
Repayments of obligations under finance leases	–	–	(594)	–	(594)
New borrowing raised	–	65,000	–	–	65,000
Non-cash transactions:					
Interest expenses	–	748	17	6,000	6,765
Return on investment (note 40)	(39,042)	–	–	–	(39,042)
As at 31st December, 2018	–	65,000	291	2,992	68,283
Adjustment on HKFRS 16 (Note 2)	–	–	314,463	–	314,463
As at 1st January, 2019 (restated)	–	65,000	314,754	2,992	382,746
Financing cash flows:					
Interest paid	–	(4,591)	(12,764)	(6,000)	(23,355)
Repayments of lease liabilities	–	–	(72,135)	–	(72,135)
Non-cash transactions:					
Interest expenses	–	4,591	12,764	6,000	23,355
New lease entered	–	–	26,409	–	26,409
Exchange adjustments	–	–	(118)	–	(118)
As at 31st December, 2019	–	65,000	268,910	2,992	336,902

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2018:

1) return of investment of HK$39,042,000 from the investee classified as equity instrument at FVTOCL was settled through the then outstanding amount due to the investee of the same amount; and

2) a subsidiary of the Company made a distribution of HK$9,760,000 to a non-controlling interest. The amount was settled through the then outstanding amount due from non-controlling interest of a subsidiary.

41. RELATED PARTY TRANSACTIONS

During the year ended 31st December, 2019, the Group entered into the following transactions with related parties:

(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 year ended 31st December, 2019, the corresponding consulting fee expense incurred amounted to HK$333,000 (2018: 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 as an executive director of the Company.

(2) A subsidiary of the Company entered into the management service agreement with the Group's associate in accordance with the terms of a joint venture agreement dated 6th September, 2018 to operate the cold storage business of the associate. The subsidiary shall assist the associate for its daily operations of the cold storage business, and the associate shall pay to a subsidiary a monthly management fee for the management services rendered. During the year ended 31st December, 2019, management fee income amounted to HK$7,406,000 (2018: nil) was recognised as revenue in profit or loss.

In addition, during the year ended 31st December 2018, the Group granted an unsecured loan amounted to HK$5,693,000 to a subsidiary of the Group's associate bearing interest at fixed rate of 7% per annum and with maturity of two months. Corresponding interest income arising from the loan amounted to HK$187,000 was recognised as part of the revenue in profit or loss. Details of interest in this associate are disclosed in note 17. The amount was settled during the year ended 31st December, 2018.

The Group did not enter into any other transaction with its related parties during the year ended 31st December, 2019 and 31st December, 2018.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31st December, 2019 and 2018 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	Proportion of ownership interest held by the Company 2019	2018	Principal activities
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
Indirect subsidiary:					
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	**75%**	75%	Investment holding
Brilliant Giant Trading Limited	Hong Kong	HK$1 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	**100%**	100%	Provision of licensing services of properties
Gold View Management Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Provision of cold storage management services
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	**100%**	100%	Investment holding
Mutual Credit Limited	Hong Kong	HK$5,000,000 Ordinary shares	**100%**	100%	Provision of money lending service
Sanson Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
Sky Elegant Development Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	Proportion of ownership interest held by the Company 2019	2018	Principal activities
Topgain Investments Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Investment holding
Tansun Trading (HK) Company Limited (formerly known as "Win System Investments Limited")	Hong Kong	HK$1 Ordinary share	**100%**	100%	Financial investment
同瞬貿易(上海)有限公司	PRC#	RMB60,000,000 (2018: RMB50,000,000) registered capital RMB57,103,971 (2018: RMB50,000,000) paid-up capital	**100%**	100%	Inactive
同瞬貿易(廣州)有限公司	PRC#	RMB20,000,000 (2018: nil) registered capital RMB20,000,000 (2018: nil) paid-up capital	**100%**	–	Trading of food and beverage

Wholly-foreign owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current Assets		
Investment in a subsidiary	**1**	1
Amounts due from subsidiaries	**179,865**	179,491
	179,866	179,492
Current Assets		
Other receivables, deposits and prepayments	**590**	543
Amounts due from subsidiaries	**30,223**	52,458
Bank balances and cash	**29,000**	2,055
	59,813	55,056
Current Liabilities		
Other payables	**4,250**	5,294
Amounts due to subsidiaries	**35,242**	29,249
	39,492	34,543
Net Current Assets	**20,321**	20,513
Total Assets less Current Liabilities	**200,187**	200,005
Capital and Reserves		
Share capital	**24,323**	24,323
Share premium and reserves (Note)	**75,864**	75,682
	100,187	100,005
Non-current Liability		
Bonds	**100,000**	100,000
	200,187	200,005

Note: Movement of the Company's share premium and reserves are set out below:

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2018	374,226	39,984	84,239	(414,627)	83,822
Loss and total comprehensive expense for the year	–	–	–	(8,140)	(8,140)
At 31st December, 2018	374,226	39,984	84,239	(422,767)	75,682
Profit and total comprehensive income for the year	–	–	–	182	182
At 31st December, 2019	374,226	39,984	84,239	(422,585)	75,864

44. EVENTS AFTER THE REPORTING PERIOD

Due to the outbreak of the Novel Coronavirus in early 2020 as well as subsequent quarantine measures and travel restrictions imposed by the government authorities in Hong Kong and the PRC, the global economic activity in the period subsequent to the end of the reporting period has adversely impacted. Up to the date of this report, this outbreak has not apparently impacted the operations of the Group as the Group is able to continue the operation of the cold storage business and the demand of the cold storage services was not adversely impacted. The Group continues their business restructuring initiatives and focus on their cold storage and trading operations. Nonetheless, reduced trading operations can reasonably be expected to have an impact on the Group’s future financial performance. The extent of this impact on the Group’s consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**289,615**	309,246	275,493	305,651	275,783
Loss for the year	**(67,138)**	(37,934)	(35,351)	(12,327)	(6,444)

	As at 31st December,				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**585,460**	395,481	403,378	442,746	456,653
Total liabilities	**(468,738)**	(208,664)	(168,811)	(173,209)	(174,107)
	116,722	186,817	234,567	269,537	282,546
Attributable to:					
Owners of the Company	**113,559**	181,654	219,644	254,614	267,623
Non-controlling interests	**3,163**	5,163	14,923	14,923	14,923
	116,722	186,817	234,567	269,537	282,546