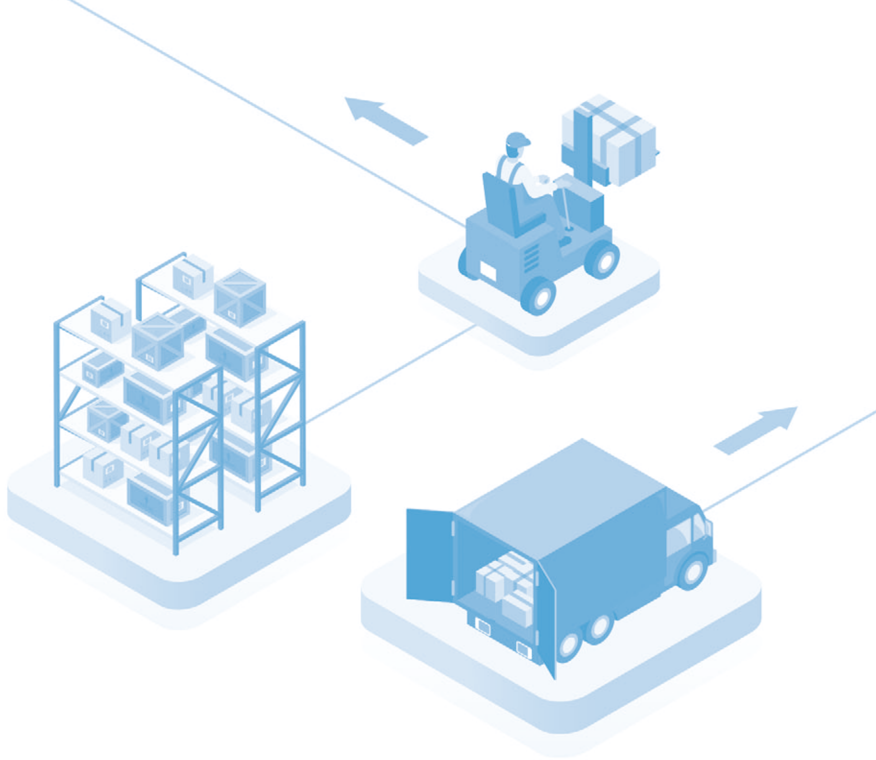
(Incorporated in Bermuda and its members' liability is limited)
(在百慕達成立為法團，而其成員的法律責任是有限度的)
Stock Code 股份代號：00544

DAIDO GROUP LIMITED
大同集團有限公司

ANNUAL REPORT 年報 2020



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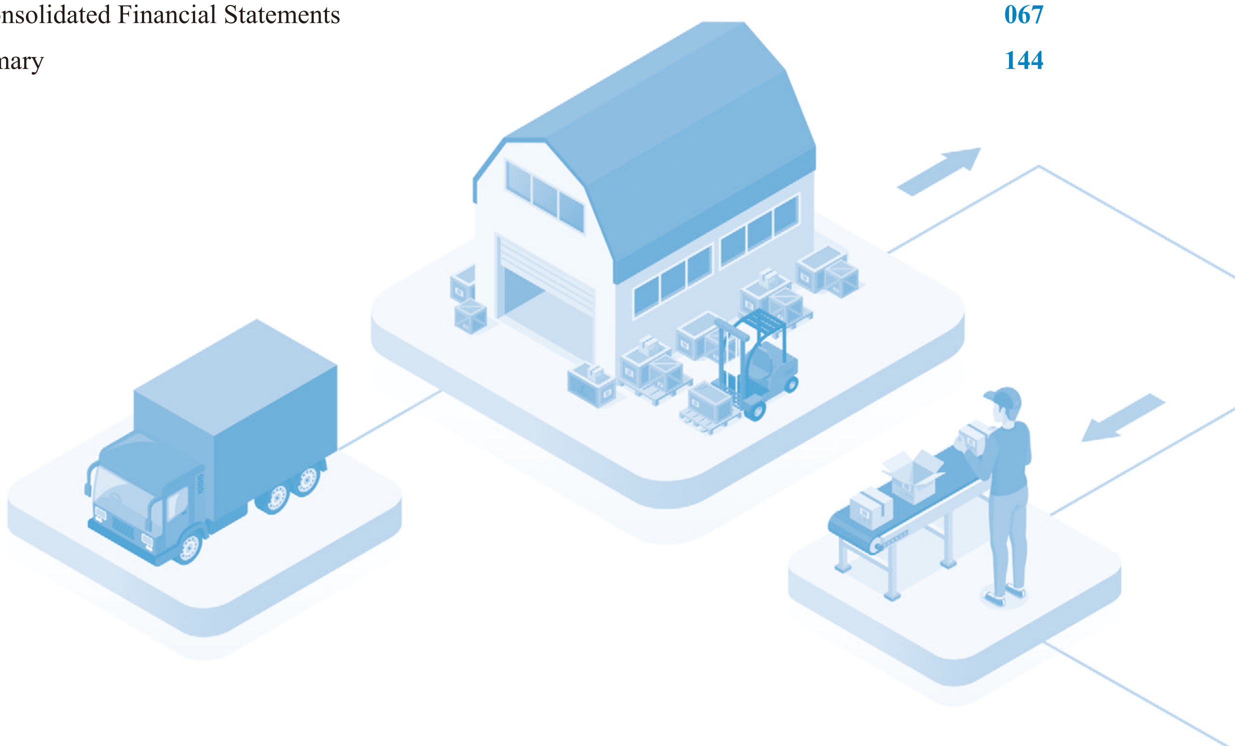


CORPORATE INFORMATION

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. Cheung Hoi Kin *(appointed on 5th June, 2020)*
Mr. Choy Kai Sing *(resigned on 5th June, 2020)*

STOCK CODE

00544

WEBSITE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 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, 2020.

Due to the outbreak of coronavirus and its viral spread, the global economy shrunk by 4.4% during the year, described by the International Monetary Fund (IMP) as the worst recession since the Great Depression of the 1930s. China's economic growth was 2.3%, the lowest recorded in the past 40 years. The Hong Kong economy contracted by 6.1% in 2020, the sharpest annual decline on record. Four waves of coronavirus infections in the city have led to quarantines, hygiene and social distancing regulations being imposed by the government, which has affected most local sectors and industries. The Group was not spared from the pandemic fallout.

Despite the bleak operating environment, the Group has been able to decrease its losses significantly year-on-year, from approximately HK$67 million to approximately HK$41 million, due to the combined strategies of risk diversification, operational improvement and effective governance.

The Group's cold-storage and logistics business saw a decline in demand from food and beverage ("F&B") catering customers. This was due to the stringent precautionary measures for restaurants and eateries, including banning dine-in services after 6 pm and restricting the number of customers to two per table. At the height of the pandemic, bars and pubs had to temporarily closed altogether. However, the Group has been swift to hedge the risk by diversifying its client base to attract new customers in need of warehouse storage and logistics services during the crisis, including supermarkets and frozen food outlets who demand more cold storage services while consumers prefer to cook for themselves instead of dining in public venues.

Operational efficiency at our warehouse and storage facilities was also raised to soften the pandemic's impact. Improving our racking system at our Tsing Yi warehouse was one important measure taken to raise our revenue and alleviate losses. Another major challenge facing us was the operational cost. The additional expenses incurred in reinforcing food safety, cleanliness and hygiene at our cold-storage facilities amid the pandemic has put a strain on our operation. As a socially responsible organization, the Group has followed the government's guidelines closely to ensure food safety coupled with employee health and safety at our warehouse premises.

In Mainland China, the Group runs a food and beverage distribution business through its network of supermarkets and convenient stores. Business of the sector improved significantly, transitioning from loss to profit, in view of the multiple improvement measures formulated by our management. Last year, we conducted an internal business restructuring, adjusted our product portfolio, acquired high-margin retail items and adopted effective but less costly sales channels. In addition to our offline distribution network, we plan to launch a Business to Customer ("B2C") retail network in Hong Kong to reach consumers directly.

Looking ahead, the Group remains cautiously optimistic that recovery is just around the corner for Hong Kong, Mainland China and increasingly more parts of the world, with the vaccine rollout. The recovery is likely to be driven by more widespread vaccinations and stimulus spendings of global governments.

In the meantime, the Group will continue to run its businesses prudently in order to return to a healthy financial position. For our core business segment, we will keep upgrading the operational efficiency of our cold-storage facilities, cut cost where possible and flexibly realign our business strategies to hedge risks and optimize returns. We will do the same for our trading business in Mainland China.

Finally, I would like to express my heartfelt gratitude to our shareholders for their support and trust for the Group. I also thank our staff for their hard work, dedication and professionalism.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2020, the Group's total revenue amounted to approximately HK$255 million as compared to approximately HK$290 million from the preceding year.

For the year ended 31st December, 2020, the Group recorded a loss of HK$40,584,000. As compared to the loss of HK$67,138,000 recorded in the year ended 31st December, 2019, which is equivalent to a decrease in loss of about 40%.

The Board considers that the decrease in loss is primarily attributable to the improved performance of the trading of food and beverage segment and the effective cost-savings measures implemented of the Group.

REVIEW OF OPERATING SEGMENTS

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

Cold storage

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

As a result of the coronavirus and US-China trade tensions, trade through Hong Kong was adversely affected in 2020, which in turn dampened the warehousing and logistics sector on the whole. Among the hardest hit were the F&B catering operators, whose eateries were hit by quarantine and social distancing measures mandated by the government to limit dine-in hours and number of customers served at each table.

The pandemic has forced many catering businesses to close, which impacted our cold-storage turnover negatively. However, the Group has sought to diversify the customer base, having other clients with a greater need for warehouse storage and logistics services in the pandemic, such as grocery distributors and operators of supermarkets and frozen-food outlets, bringing positive footprint to the Group.

Another positive measure taken by the Group to bolster revenue from this sector was the expansion of bonded warehousing business, which supports clients for storing alcohol and tobacco before full duty payment. Compared with 2019, this business achieved full-year operation and continued to experience revenue growth throughout 2020. On the other hand, the Group also upgraded the racking system of the Tsing Yi warehouse to eliminate inventory storage complications and ensure the facility is operating at uttermost efficiency, thereby optimizing profits.

However, the Group's revenue growth was partly offset by the higher cost of running a cold-storage and logistics business in times of pandemic. As mandated by the authorities, the Group was required to incur additional costs on warehouse disinfection and the food package of cold stores at higher level, while regularly monitoring body temperature checks for employees working onsite.

The rentals for the warehouse and cold-storage facilities that the Group operated in were increased by their landlord but we encountered practical difficulties to transfer some of the relevant cost to the customers amid a weak economy and negative sentiments.

The logistics business that the Group operated to support its warehousing customers has remained stable.

Money lending

As a non-core business segment, the money lending services provided by the Group has been conceived to offer cold storage and logistics customers a line of credit support they may need from time to time. But this segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more lucrative segments such as the existing core business segments as well as potential new business units.

REVIEW OF OPERATING SEGMENTS (continued)

Trading of food and beverage products

The performance of the Group's food and beverage distribution business in Mainland China has been improving progressively. During the period under review, the segment turned around from loss to profit, against a backdrop of pandemic market gloom and weaker consumer demand.

The growth can be attributed to internal business restructuring introduced by the Group's new management, combined with a series of business strategies to promote revenue growth and profitability. Non-performing vendors were replaced, along with some products. Based on evolving consumer preferences and spending patterns, the Group's product portfolio was constantly diversified and the pricing was adjusted to optimize revenue.

Stringent measures to control cost were administered to raise the segment's profitability. The Group ceased certain wholesale channels at lower margins and attempt to develop less costly but more effective ones.

PRINCIPAL RISKS AND UNCERTAINTIES

For each major risk identified, the Group has undertaken a thorough assessment with the action steps planned for its mitigation. The goal of this exercise is to protect the Group's best interests, including its business outlook, financial position, growth potential and business sustainability.

The Group has set out to diversify its business portfolio to spread out business and operation risks, while ensuring a balance between safety and profitability. To grow its more promising segments, both cost saving measures and resource re-allocation are adopted to reduce exposure to market volatility such as that caused by the coronavirus pandemic, US-China trade dispute and the economic downturn in Hong Kong and Mainland China.

The Group is also cognizant of its vulnerability to political and economic risks in the macroeconomic environment, which could undermine demand for its products and services. We are also aware of other hazards, such as long-term depreciation on the warehouse properties that could compromise our storage capacity and therefore, business growth.

We practise financial prudence to safeguard the continual performance of our logistics segment by reducing operating expense and conserving internal resources to counter any negative impact from the macroeconomic environment. In this risk category, the latest example is the coronavirus threat. From 2020 to date, we performed the best practice in accordance with the government's social distancing and safety guidelines concerning food safety, employee health and safety as well as hygiene and cleanliness at our premises. To this end, we have carried out disinfection exercises and clean our office and warehouses more frequently than usual in an utmost effort to contain all possible public health risks.

Market risks are another area of threat we seek to control with exacting cost-cutting action and measures to uplift our operational efficiency. Recognising that market demand for our products and services is highly dependent on how the economy performs and consumer sentiments, we monitor the macroeconomic conditions closely and are ready to realign our strategies and direction accordingly and rapidly. Buffering the Group from market risks also demand that we constantly revamp our business structure, product and service portfolios, adopt high-margin products and switch sales channels when necessary, as we have done to our trading segment.

Other decisions made to sidestep the risks facing the Group include:

- Improving the business performance and operational efficiency of our cold-storage facility and the bonded warehouse business

- Carrying out operational revamp of our products and business structure and distribution network

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

PROSPECTS

In a most recent IMF forecast in October 2020, global growth is expected to rebound to 5.5%. Most developed countries should start to resume normal by the second half of the year. The eventual outcome will depend on the race including how effective the vaccines would be to end the pandemic and ability of policies to provide effective support until normalcy is restored.

The Hong Kong Special Administrative Region's Financial Secretary Paul Chan predicted the city's economy to return to positive growth and expand by 3.5% to 5.5%, on the back of coronavirus vaccine rollout later this year. China's state-led growth model will be more robust, with a staggering growth of 8.1% projected, well ahead of the United States at 5.1%.

As the world is expected to emerge from the pandemic-induced recession later this year, the Group's cold-storage and logistics sector in Hong Kong as well as food and beverage distribution business in China are expected to benefit enormously from the pent-up market demand. We have lined up plans to grow these two sectors and position them to gain from the imminent recovery.

Cold storage and logistics

Adversely affected by the pandemic, our cold storage and logistics segment saw some of its customers, mostly eatery and restaurant owners, using less warehousing space for reason of plummeting business. However, clients from the grocery sector – supermarkets and frozen food retailers have filled out the warehouse vacancies as consumers have preferred to cook at home rather than eating out in the pandemic.

Confident that recovery is imminent this year, we have lined up plans to boost our revenue in better times to come:

- At our Kwai Hei Street warehouse, we will dedicate two additional floors of the building for conversion into cold-storage by mid-2021 and expect our revenue to increase without incurring much cost

- We are continuing to improve the efficiency and spatial yields of our Tsing Yi warehouse

- We are striving towards maximum storage capacity at our bonded warehouse

Since the pandemic is still ongoing, we will continue to diversify our customers base and reach out more operators of supermarket and frozen-food outlets with their stronger need for cold-storage facilities in the pandemic.

Trading of food and beverage products

The Mainland China-based trading business started by the Group a few years ago has turned in a profit in 2020.

We will continue to conduct internal business restructuring, source quality suppliers and products, replace underperforming products and wholesale channels, realign our retail prices in tandem with market conditions and keep adjusting our portfolio with the incorporation of high-margin products. To save on expenses, we attempt to explore less costly sales channels without compromising effectiveness such as online promotion channels.

In addition, we will launch new Original Equipment Manufacturer ("OEM") beverage product in the mid-2021 riding on our distribution network as well as online distribution channels in Mainland China. On the other hand, an online B2C ecommerce grocery platform will also be rolled out in Hong Kong in the first half of 2021, to reach out to mass retail customers.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

Our long-term corporate strategy is to leverage two of our most profitable segments – cold storage/bonded warehousing and trading of food and beverage products – into a one-stop service platform. With such an integration, both segments will operate synergistically with each other to configure a unique business model generating more revenue and profits for the Group with a lower operational cost.

Efforts are underway to optimize the operational efficiency of cold-storage in myriad ways, such as improving our racking system to maximize storage capacity, change warehousing conditions from normal-temperature storage to cold-storage to increase profitability, raise the standard of food-storage in line with government standards and requirements to overcome the pandemic and strengthen our general competitiveness.

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. In addition, we have developed a new OEM beverage product to drive sales not only through our traditional offline distribution network but also online platform in Mainland China. Furthermore, we look forward to launching an online grocery portal in Hong Kong in 2021.

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 Mainland China. 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,	
		2020	2019
Loss per share – basic	HK cents	**(1.62)**	(2.76)
Net assets per share attributable to owners of the Company	HK$	**3.02**	4.67
Current ratio	times	**0.83**	1.19
Total liabilities to total assets ratio	times	**0.80**	0.80
Gearing ratio	%	**68.4**	88.1
Return on equity ratio	%	**-46.2**	-59.1
Return on assets	%	**-8.9**	-11.5
Assets turnover ratio	times	**0.56**	0.49

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2020, the Group had cash and bank balances of approximately HK$69.8 million (2019: HK$118.0 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 60.3% and 39.7%, respectively. The decrease was mainly due to repayment of bank borrowing and placement of pledged bank deposits.

The gearing ratio, measured as non-current borrowings (excluded derivative financial instruments and lease liabilities) over equity attributable to owners of the Company was approximately 68.4% as at 31st December, 2020 (2019: approximately 88.1%). The decrease of the gearing ratio was because of the drop of the equity attributable to owners of the Company and non-current bonds.

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, 2020, it is noted that the bonds in an aggregate principal amount of HK$100 million have been subscribed by the places and issued by the Company, which is the same as those as at 31st December, 2019.

As at 31st December, 2020, the Group had a bank borrowing of HK$35 million (2019: HK$65 million) denominated in HK$. The Group's bank borrowing interest rate is at 5% per annum (2019: 7% per annum) and the maturity of borrowing is up to April 2021 (2019: April 2020). As at 31st December, 2020, the banking facility utilised was HK$35 million (2019: fully utilised). Subsequent to the end of the reporting period, the total outstanding principal of the bank borrowing amounts to HK$35 million is extended by a further 24 months to April 2023 and the borrowing interest rate per annum be remained at 5% per annum. Thus, the bank borrowing of HK$35 million would be recognised as a non-current liability upon the effective date of the above-mentioned loan extension agreement.

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

Treasury policies

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

FINANCIAL REVIEW (continued)

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, 2020, the total issued share capital of the Company was HK$29,011,040 (2019: HK$24,323,040) divided into 2,901,104,000 ordinary shares (2019: 2,432,304,000 ordinary shares) with a par value of HK$0.01 each.

By way of share placement, the Company issued a total of 468,800,000 ordinary shares at a price of HK$0.0248 each in November 2020. The par value of such shares is HK$0.01 each.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

On 29th December, 2020, the Group entered into a sale agreement with an independent third party to dispose of its entire interest in a wholly-owned subsidiary, Sanson Investments Limited and its subsidiaries. Other than the above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31st December, 2020. During the year ended 31st December, 2019, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Charges on assets

As at 31st December, 2020, banking facilities, for providing guarantees by a bank for the Group's operation of cold storage services, to the extent of HK$3.5 million (2019: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (2019: HK$3.5 million), which approximately HK$1.4 million (2019: approximately HK$3.5 million) provides bank guarantee for utility deposit of a warehouse.

As at 31st December, 2020, bank deposits of approximately HK$64.3 million (2019: approximately HK$62.1 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 approximately HK$206 million (2019: approximately HK$268.9 million), approximately HK$0.6 million (2019: approximately HK$0.08 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.6 million (2019: approximately HK$0.3 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 except for, as and when necessary, the new OEM beverage product in Mainland China and the online B2C ecommerce grocery platform in the Hong Kong as mentioned above. Whereas, for the year ended 31st December, 2019, the same was intended for a joint-venture.

Contingent liabilities

For the year ended and as at 31st December, 2020, the Group did not have any contingent liabilities (2019: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2020, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 230 and 40 respectively (2019: approximately 220 Hong Kong employees; 120 Mainland China employees). Total remuneration expenses for the year ended 31st December, 2020 amounted to approximately HK$78,483,000 (2019: HK$75,112,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy and professional tuition/training subsidy for employees' benefit.

DIRECTORS OF THE COMPANY

MR. HO HON CHUNG, IVAN, aged 66, 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 38, 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 48, 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 59, 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 77, 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 65, 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 Evergreen International Holdings Limited, Finet Group Limited, REF Holdings Limited, WT Group Holdings Limited and Zhongzheng International Company Limited (formerly known as "eForce Holdings Limited"), those companies are listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 53, 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, 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 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 Chief Executive Officer ("Acting CEO") 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 8 which forms part of the Directors' Report but not part of the audited consolidated 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, 35 and 36 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, 2020, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 46% of the Group's total revenue and the revenue attributable to the Group's largest customer accounted for approximately 16% of the Group's total revenue.

For the year ended 31st December, 2020, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 50% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 28% of the Group's total purchases.

Brilliant Cold Chain Solutions Limited ("BCCS"), an associated corporation of the Company, is indirect owned as to 10% by Mr. Fung Pak Kei, an Executive Director of the Company. BCCS was one of the Group's five largest customers for the year ended 31st December, 2020.

Other than as disclosed above and in the paragraph headed "Directors' Interests in Competing Business", 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.

RESULTS

The results of the Group for the year ended 31st December, 2020 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, 2020 (2019: 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, 2020, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2019: HK$84,239,000) and accumulated losses of HK$453,144,000 (2019: HK$422,585,000).

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.

BANK BORROWING

Details of bank borrowing of the Group as at 31st December, 2020 are set out in note 25 to the consolidated financial statements.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 23rd October, 2020, the Company entered into the subscription agreement with a subscriber, Great Virtue Holding Limited (the "Subscriber") which is a company incorporated in the British Virgin Islands with limited liability, for the subscription of an aggregate of 468,800,000 subscription shares at the subscription price of HK$0.0248 per subscription share ("Subscription"). The ultimate beneficial owner of the Subscriber is Mr. William Waileung Kong, who is a Hong Kong citizen and is a sophisticated investor with extensive investment experiences in the Private Equity/Venture Capital and Hedged Fund industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties. The closing market price was HK$0.022 per share at the date of the subscription agreement.

The Board considered that the Subscription represented an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position, and also to enlarge and broaden the Shareholder base and capital base of the Company. Furthermore, the Board considered that the Subscription was a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

The Subscription was completed on 6th November, 2020 and the Company issued 468,800,000 subscription shares to the Subscriber. The aggregate proceeds from the Subscription amounted to approximately HK$11.6 million which was intended to be used by the Company for the Group's general working capital purpose. The net proceeds and the net price per subscription share in respect of the Subscription was approximately HK$11.5 million and HK$0.0245 respectively, after deducting all the professional fees incurred in the Subscription. Details of the Subscription were set out in the announcements of the Company dated 23rd October, 2020 and 6th November, 2020.

The use of net proceeds of approximately HK$11.5 million raised form the Subscription as follows: –

	Approximate percentage of total net proceed	Amount utilised as at 31st December, 2020 HK$'000	Intended use of net proceeds HK$'000
General working capital			
– Working capital and general corporate purposes	69%	–	7,922
– Repayment of interest expense on bonds	31%	–	3,600
Total	100%	–	11,522

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the placing of the Company's new shares as disclosed in note 28 to the consolidated financial statements, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 31 to the consolidated financial statements.

Since the Adoption Date and up to 31st December, 2020, no share options have been granted pursuant to the 2015 Scheme.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the paragraph 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, 2020 and as at the latest practicable date prior to the issue of this Annual Report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2020, 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
Great Virtue Holding Limited (Note 1)	Beneficial owner	468,800,000	16.16%
William Waileung Kong (Note 1)	Interest of controlled corporation	468,800,000	16.16%
Ever Achieve Enterprises Limited (Notes 2 & 3)	Beneficial owner	202,323,133	6.97%
Yuen Kin Wing (Note 2)	Interest of controlled corporation	202,323,133	6.97%

Notes:

1. The entire issued share capital of Great Virtue Holding Limited is beneficially owned by Mr. William Waileung Kong.

2. 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.

3. As at the date of this report, each of Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei (both being Executive Directors), through their wholly-owned companies, indirectly holds 50% of the issued share capital of Ever Achieve Enterprises Limited, a company holding 202,323,133 shares of the Company.

DIRECTORS' REPORT

DIRECTORS

The following is the list of Directors during 2020 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 *(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

At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Ho Hon Chung, Ivan as Executive Director; Mr. Leung Chi Hung and Mr. Tse Yuen Ming, both as Independent Non-executive Directors.

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. Leung Chi Hung, an Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Evergreen International Holdings Limited (a company listed on the Stock Exchange) with effect from 15th October, 2020.

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, 2020, 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:

Under a joint venture agreement dated 6th September, 2018, the share capital of Loving Peace International Limited ("Loving Peace"), a company incorporated in the British Virgin Islands with limited liability, 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 "Share Option Scheme" above, at no time during the year ended 31st December, 2020 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 "Interest of Directors" above and note 38 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 2020 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 TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company did not have any non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The related-party transactions described in note 38 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following business (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the Year:

Under a joint venture agreement dated 6th September, 2018, Mr. Fung Pak Kei holds directorship in and has 10% interests in the share capital of Loving Peace International Limited ("Loving Peace"), an associated corporation of the Company.

BCCS, a direct wholly-owned subsidiary of Loving Peace, engages in the same business of cold storage business in Hong Kong as the Group. According to the joint venture agreement, BCCS has entered into a management service agreement (the "Management Service Agreement") with Gold View Management Limited ("Gold View"), an indirect wholly-owned subsidiary of the Company, pursuant to which BCCS agreed to pay the management fee to Gold View for providing of cold store management services by Gold View to BCCS, subject to the terms and conditions as therein. 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.

As the Board is independent of the board of directors of those companies (i.e. Loving Peace and BCCS) which engage in the same business and none of aforementioned Director can control the Board, the Group is therefore capable of carrying on its business independently of, and at arm's length from the business of those companies.

Save as disclosed above, as far as the Directors are aware of, none of the Directors (not being the INEDs) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as defined in the Listing Rules during the year and up to the date of this report.

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.

DIRECTORS' REPORT

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, 2020 have been audited by Messrs. Deloitte Touche Tohmatsu, which retires and, being eligible, offers itself for re-appointment at the 2021 AGM. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu and to authorise the Directors to fix its remuneration will be proposed at the 2021 AGM.

The Company did not change auditor in the past three years.

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

Approved by the Board on 30th March, 2021

HO HON CHUNG, IVAN
Executive Director

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, 2020 and up to the date of this annual report are:

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

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on page 10 of this annual report.

Except that each of Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei, through their wholly-owned companies, indirectly holds 50% of the issued share capital of Ever Achieve Enterprises Limited, a company holding 202,323,133 shares of the Company, 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 17 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 *(Acting Chief Executive Officer)*	1/1	17/17
Mr. Fung Pak Kei	1/1	17/17
Non-executive Directors		
Mr. Au Tat Wai	0/1	9/17
Mr. Fung Wa Ko	1/1	10/17
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	10/17
Mr. Leung Chi Hung	1/1	10/17
Mr. Tse Yuen Ming	1/1	10/17

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, 2020, 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 *(Acting Chief Executive Officer)*	(c)
Mr. Fung Pak Kei	(c)
Non-executive Directors	
Mr. Au Tat Wai	(a)
Mr. Fung Wa Ko	(c)
Independent Non-executive Directors	
Mr. Fung Siu Kit, Ronny	(a)
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. Fung Pak Kei, an Executive Director, Mr. Au Tat Wai, a Non-executive Director, and Mr. Fung Siu Kit, Ronny, an Independent Non-executive Director, who were re-elected by the Shareholders in the 2020 annual general meeting, had entered into the letters of appointment with the Company on 4th June, 2020.

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.

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.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31st December, 2020, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan ("Mr. Ho") and Mr. Choy Kai Sing ("Mr. Choy") acted as Acting Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Ho is responsible for all day-to-day corporate management matters and Mr. Choy is responsible for corporate financial matters. In June 2020, Mr. Choy resigned as the Chief Financial Officer and Mr. Cheung Hoi Kin ("Mr. Cheung"), Director of Strategy and Development Department of the Group, has been appointed as Chief Financial Officer and is responsible for corporate financial matters in place of Mr. Choy. Since there is no Chairman in the Company during the year ended 31st December, 2020, there was no meeting held between the Chairman and the Independent Non-executive Directors without the presence of other Directors and the Company did not comply with the code provision A.2.7 of the CG Code.

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, 2020, the Company did not comply with code provision E.1.2 of the CG Code.

The Board does not have the intention to fill the position of Chairman at present and believes that the absence of a Chairman will not have adverse effect to the Company, as decisions of the Company will be made collectively by the Board. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of Chairman. Appointment will be made to fill the post to comply with the CG Code if necessary.

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 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. Ho Hon Chung, Ivan, Mr. Leung Chi Hung and Mr. Tse Yuen Ming 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, 2020, 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, 2020.

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, 2020 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 31 to the consolidated financial statements.

During the year ended 31st December, 2020, 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, 2020, the Audit Committee had performed the following work:

1. reviewed the audited consolidated financial statements for the year ended 31st December, 2019 and the unaudited financial statements for 3 months ended 31st March, 2020, 6 months ended 30th June, 2020 and 9 months ended 30th September, 2020;

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, 2020, 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 25th February, 2021, the Audit Committee reviewed the risk management and internal control review report. At the meeting held on 30th March, 2021, the Audit Committee reviewed the Directors' report and audited consolidated financial statements for the year ended 31st December, 2020 together with the annual results announcement, 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	8/8	1/1	1/1
Mr. Leung Chi Hung	8/8	1/1	1/1
Mr. Tse Yuen Ming	8/8	1/1	1/1

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, 2020, 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, 2020. 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 55.

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, 2020 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, 2020 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditors and also reviewing 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, 2020, the external auditors of the Group provided the following services to the Group:

	2020 **HK$'000**	2019 HK$'000
Audit service	**1,680**	1,500
Non-audit service	**–**	–
Total:	**1,680**	1,500

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 objectives 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 internal control system is established 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 for improving the RM and IC Systems. 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 to 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 assessment 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, 2020, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year RM and IC systems assessment plan, and focused on reviewing (i) the operating controls of the trading business and related services segment in Mainland China (expenditure cycle); (ii) design of the written policies and procedures of the trading business and related services segment in Mainland China (revenue and receivable cycle; purchase and payable cycle; expenditure cycle; and human resources cycle); (iii) the compliance risk management control of the Group; (iv) the financial reporting and disclosure control of the Group; and (v) follow up on the recommendations in the previous years' report.

During the year ended 31st December, 2020, 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. Following the resignation of Mr. Choy, Mr. Cheung has been appointed to replace Mr. Choy as Company Secretary with effect from 5th June, 2020. According to the Rule 3.29 of the Listing Rules, Mr. Cheung has taken no less than 15 hours of relevant professional training for the year ended 31st December, 2020.

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 are 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 fifth Environmental, Social and Governance ("ESG") report published by Daido Group Limited ("Daido" or the "Group"). Aiming to provide stakeholders a better understanding on the Group's ESG issues, this report presents Daido's sustainability approach, practices and performance for the period of 1st January, 2020 to 31st December, 2020 (the "reporting year"). This report is prepared in both Chinese and English. Both versions have been uploaded to the websites of the Group (http://www.irasia.com/listco/hk/daido/index.htm) and the SEHK.

Reporting Boundary

This report focuses on Daido's core cold storage and logistics businesses and covers the following two operation points in Hong Kong[1].

Operation Points	Address	Total Area (square metre)
Warehouse 1	No. 8 Kwai Hei Street, Kwai Chung, New Territories	35,022
Bonded Warehouse	5/F, Modern Terminals Warehouse Phase II, Berth One, Kwai Chung Container Terminal, Kwai Chung, New Territories	5,341

In the future, the Group will continue to refine the data collection system to lay the foundations for a wider reporting scope.

Reporting Standards and Principles

This report is prepared in accordance with the 'comply or explain' provisions of the ESG Reporting Guide (the "Guide") contained in Appendix 27 to the Rules Governing the Listing of Securities on the SEHK. This report includes selected key performance indicators ("KPIs") under the 'recommended disclosures' of the Guide.

The Group adheres to the four fundamental reporting principles set out in the Guide for the preparation of this report:

Reporting Principles	Definition	The Group's Applications
Materiality	ESG issues that the Group has posed significant impacts on the economy, environment and society, shall be reported.	Material ESG issues were identified through an analysis of surveys from both internal and external stakeholders. The material issues identified were verified by the Board. Please refer to "Stakeholder Engagement" for more details.
Quantitative	The Group shall ensure all KPIs disclosed in the report are measurable along with a narrative explaining the purposes, impacts and calculation methodologies.	The Group records and discloses KPIs in quantitative terms for evaluation and validation of the effectiveness of ESG policies and management systems. Daido has also commissioned an independent consultant in assessing environmental KPIs in accordance with local and international guidelines.
Balance	Unbiased picture of the Group's performance will be presented throughout the report. Any presentation formats that may inappropriately affect readers' decision or judgement should be avoided.	Daido's overall ESG performance is presented in this report in an objective manner.

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

Reporting Principles	Definition	The Group's Applications
Consistency	Consistent methodologies should be used to allow for meaningful comparison on the Group's ESG performance.	Unless stated otherwise, the Group applies consistent measurement methodology as far as practicable to allow for meaningful comparison of ESG performance over time. Any changes in methods or KPIs used are disclosed.

Confirmation and Approval

All information cited herein is derived 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. This report was approved by the Board of Directors (the "Board") on 30th March, 2021.

Opinion and Feedback

We welcome your feedback and suggestions. Your comments can help refine and strengthen the Group's future ESG performance. 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

MANAGEMENT MESSAGE

For the past year, businesses all over the world have been greatly affected by the Covid-19 pandemic. We have learnt the lesson that in order to withstand under difficult macroeconomic situations, sustainability is the key to success. At the same time, stakeholders are increasingly nudging corporations to take sustainability factors into considerations when doing businesses. As a corporate citizen, the Group recognises this and continues to make sustainability its operational focus. We are devoted in improving our sustainability performances in where we operate.

We understand that sustainability governance is the foundation to our operations. The Board is, therefore, responsible in setting the strategic direction, ensuring that the ESG strategy reflects the Group's values and core businesses. In the coming future, the Board will review the progress made against ESG-related goals to guide the Group in monitoring its ESG performance.

To better understand the demands and expectations of our stakeholders, we invite employees, suppliers and clients to participate in a survey to maintain effective communication, allowing us to better accommodate their needs. The Group also tries to leverage its expertise in helping local communities to flourish by offering special discount to local food charity, in storing food surplus in its cold storage, aiming to reduce food waste as well as give support to people in need. Through embedding sustainability in our business concept, we create greater value for both our stakeholders and the society.

Without the contribution of our employees, customers, business partners and communities, it would not have been possible for Daido to have such achievements. Looking ahead, in order to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy.

This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders an overview of our sustainability performance.

Ho Hon Chung, Ivan
Executive Director
Daido Group Limited

SUSTAINABILITY GOVERNANCE

Sound corporate governance forms the foundation of Daido's operations. The Board has the overall responsibility in overseeing sustainability issues related to Daido's operations and strategy. By continuing setting a strategic direction, the Board sets a clear vision and strategy that guide the ESG reporting measures or systems, reflecting on the Group's core values. Looking ahead, the Board will review the progress made against ESG-related goals in order to guide Daido in achieving better ESG performance.

Sustainability Risk Management

Governed by the Group's Risk Management Policy, a set of systematic risk management practices has been put in place to ensure financial and operational functions, compliance control system, material control, asset management and risk management operate effectively.

With the Audit Committee's priority in formulating risk management strategies, the Board is 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.

This year's ESG risks remain the same as the previous year and are presented below:

Risks	Impacts to the Group	Examples of actions taken	Risk trend
Health and safety	The nature of the Group's operations exposes its employees to health and safety risks, such as work-related accidents caused by the use of machinery and equipment, manual lifting and driving vehicles. Daido's operations and reputation may be negatively affected if there follows any regulatory actions, legal liabilities and costs.	As instructed in the Group's Safety Committee and Code, Daido undertakes measures to manage health and safety risks. Please refer to "Employment Practices" for more information regarding the Group's current practices in maintaining a healthy and safe working environment.	Remained
Ageing employees	With an ageing workforce, Daido may face higher risks of declining productivity and safety performance. Failure to recruit younger generation may affect Daido's long term sustainability.	Daido has put in place a human resource management system to manage the risk of ageing employees. Through the provision of competitive compensation and welfare, diversity of its recruitment channel and the plan to introduce new technology, Daido is devoted in attracting younger people to join the Group. Besides, the Group has also cancelled the compulsory retirement age of 60 in order to retain experienced employees and pass on valuable insights. Please refer to "Employment Practices" for more information regarding the Group's current practices in employment management.	Remained

Compliance Management

The Group attaches great importance to the effectiveness of compliance management. Hence, the Group has implemented different policies, guidelines and practices to ensure Daido upholds the highest ethical and accountability standards.

Below are some relevant laws and regulations to the operations of the Group.

Aspects	Relevant Laws and Regulations to the Group
Employment	Employment Ordinance in Hong Kong
Health and Safety	Occupational Safety and Health Ordinance in Hong Kong
Labour Standards	Employment Ordinance in Hong Kong
Product Responsibility	Personal Data (Privacy) Ordinance in Hong Kong
Anti-corruption	Prevention of Bribery Ordinance in Hong Kong

During the reporting year, there was no non-compliance case regarding emissions, employment, health and safety, labour standards, product responsibility and anti-corruption. In addition, Daido was not aware of any laws and regulations with a significant impact on the Group.

STAKEHOLDER ENGAGEMENT

The Group acknowledges the importance of material issues that may have a significant impact on its stakeholders and operations. Daido also engages its stakeholders, including employees, shareholders, suppliers and service providers, clients, industry associations, regularly through different channels, such as e-mails, meetings, seminars and factory visits.

Stakeholders Group	Mode of Engagement
Employees	The Group communicates with its employees via a wide range of channels, including meetings, trainings and performance appraisal. The Group encourages its employees to communicate with their supervisors regarding their job duties and supports needed.
Clients	The Group gathers clients' feedback through hotline, emails and surveys.
Business Partners	Daido pays factory visits to business partners in order to better understand their operations and communicate with them.
Investors and Shareholders	Updates and performance of the Group are provided to investors and shareholders regularly through shareholders' meetings. Material information is also circulated through the Group's annual reports, interim reports, company's website, press releases, announcements and other disclosure documents.

Stakeholders Group	Mode of Engagement
Industry Associations	The Group attended industry networking activities to know the latest development of the industry.
Community	The Group engaged in various community events during the reporting year. Through the communication with non-governmental organisations ("NGOs"), the Group seeks to understand the needs of the community. Please refer to "Supporting Local Communities" for more details.

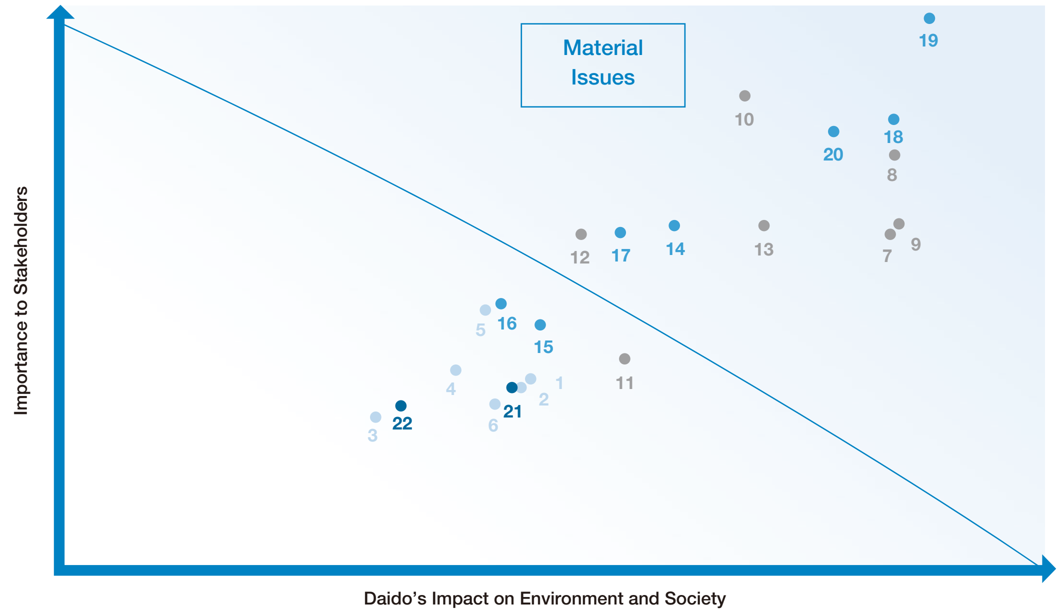
Materiality Assessment

During the reporting year, in order to gain a better understanding of stakeholders' opinions and meet their needs, the Group commissioned an independent consultant, Carbon Care Asia ("CCA") to conduct a stakeholder engagement survey, gauging the relative importance of ESG issues.

Steps	Actions
1. Identifying relevant issues	Through the review of past engagement results as well as industry trends, Daido has identified **22 sustainability issues**, covering environmental, employment, operating practices and community investment.
2. Collecting stakeholders' feedback	The Group collected feedback and assessed the materiality of each relevant issue through a **survey for our internal and external stakeholders**. **152 valid responses** were received and analysed.
3. Identifying material topics	The materiality of each relevant issue was assessed by taking into account its importance to the stakeholders and Daido's impacts (both positive and negative) on the environment and society. Based on the survey results, a materiality matrix was developed. Out of the 22 issues, **11 were prioritised as material issues**.
4. Validation	The materiality matrix and the material ESG issues for the reporting year was presented to the Board for validation. 11 topics were validated as material issues for the Group to address and report on.

According to the results of the questionnaire, a materiality matrix was developed and 11 sustainability issues were identified as material for the reporting year. Compared to the previous reporting year, three new material issues, namely Grievance Mechanism and Training for Anti-corruption, Prevention of Forced Labour and Prevention of Child Labour, were identified. Additionally, two new issues, Climate Change and Supplier Communication, were also added to align with SEHK's Guide.

Daido's Materiality Matrix 2020



The identified sustainability issues were listed below in descending order of materiality by aspects.

Number	Sustainability issues in descending order
19	Anti-corruption *
18	Protection of client's rights *
8	Equal opportunities, diversity and anti-discrimination *
20	Grievance mechanism and training for anti-corruption *
10	Employee training *
9	Health and safety *
7	Employment *
13	Prevention of forced labour *
14	Supply chain management: risk analysis *
17	Product responsibility *
12	Prevention of child labour *
11	Development opportunities
15	Supply chain management: monitoring
16	Supplier communication
5	Natural resources and environment
1	Air emissions and greenhouse gas emissions management
2	Wastewater and waste
21	Community investment: understanding of community needs
4	Energy and paper consumption
6	Climate change
22	Community investment: resources investment
3	Water resources

Aspects:	Environmental	Employment	Operating Practices	Community Investment

OPERATING PRACTICES

Maintaining the highest possible business ethical standards enables the Group to operate in a responsible and sustainable manner, thereby, earning the trust of all its stakeholders, including its customers.

Anti-corruption

As a responsible cold storage and logistics service provider, the Group is committed to upholding integrity and promoting fairness in the society. Hence, any forms of bribery, extortion, fraud and money-laundering are strictly prohibited.

Guided by the ESG Policies and the Staff Handbook, the Group has put in place an array of internal processes throughout our operations to prohibit corruption. The Group prohibits all employees from offering and soliciting all forms of benefits from any third parties. Whenever employees receive gifts that are of high commercial value provided by business partners or clients, they should report to the senior management or the Human Resource Department. In any circumstances, employees should avoid conflicts of interest between personal interests and job duties. In the event of unavoidable conflict of interest, employees should report to the Group in advance.

In addition to the ESG Policies and Staff Handbook, the Group has prepared written guidelines to prevent our business from financial crime. The Group encourages all its employees to take all reasonable steps to enable the true and full identity of each customer. Additionally, when facing suspicious activities, employees should avoid and report any suspected cash movement.

A whistle-blowing platform is also in place to assure a fair and efficient reporting and investigation mechanism for employees to report on any misconduct or malpractice within the Group. Employees shall report any suspected violation to Executive Directors or the Chair of the Audit Committee in a confidential manner. The identity of whistleblowers will be kept confidential to protect them from harassment and reprisals.

During the reporting year, there was no legal cases regarding corrupt practices brought against the Group or its employees.

Case Study: Anti-corruption Training

In order to raise employees' awareness on anti-corruption, during the reporting year, anti-corruption trainings were provided by the Independent Commission Against Corruption ("ICAC") to both the Board and senior management. During the training, problems of corruption in the storage and logistics industry were introduced to employees. Practical guidelines were also provided in order to enhance the vigilance of employees to the possibilities of corruption at the workplace.

Three Board members and 33 employees join the anti-corruption training. In the future, the Group will continue to invite the Board and employees to join the anti-corruption training to foster integrity when doing business.

Supply chain management

Daido acknowledges its responsibility in managing ESG risks along its supply chain. As stated in its ESG Policies, the Group values the long-term relationships with its suppliers.

Suppliers who share common moral values and standards will be considered by the Group. The Group has expectation towards its suppliers in sustainability issues, such as raising employees' environmental awareness, encouraging energy conservation, promoting waste reduction, providing a safe and risk-free working environment.

In addition, as mentioned in the Green Procurement Policy, when purchasing goods and services, environmental and social factors are part of the consideration besides technical capabilities and price competitiveness. A standardised procurement management flow, including selection, hiring, evaluation, management and monitoring of suppliers, has been established to track the performance of suppliers regularly. Underperformers will be removed from the list to ensure all suppliers achieve the Group's standard.

Product responsibility

The Group considers service quality as one of the key competitive advantages in its day-to-day operations. The ESG Policies sets the standard and demonstrates Daido's commitment to high quality services.

The Group established a quality management system that is certified to the ISO 9001:2015 standard throughout its cold storage business. The Group's Quality Control Manual, Working Operation Procedures and Working Instructions were formulated to aid the implementation of this standard. With the support from the Quality Assurance Department in monitoring operations and identifying corrective measures whenever necessary, this management system aims to maintain performance, including demonstrating leadership, actions to address risks and opportunities, implementing operational planning and control and evaluating performance.

Customer Data Protection

Daido is determined to safeguard customers' information by implementing proper security controls, such as system encryption. All collected customer information will only be used for business purposes and will be handled with utmost care and extreme caution.

Service Quality Management

The Group treats customer satisfaction as an important indicator of success. A Warehouse Management System is in place to facilitate the delivery of quality services, enhancing customers' experience.

In addition, through regular survey, the Group solicits feedback from customers regarding warehousing and storage services. Customers' complaints are handled and archived properly and promptly. The Quality Assurance Department shall review the complaint and develop measures to prevent the recurrence of similar complaints. From the results of the survey as well as the cause analysis of cancelled orders and reports on customer complaints, Daido gains further insights into improvement in our services.

EMPLOYMENT PRACTICES

The Group values its employees and are devoted to protecting employees' rights, treating them fairly and equally, supporting employees' career development and fostering a safe working environment.

Employment System and Labour Standards

The Group strives to provide a fair, respectful and inclusive work culture. According to the ESG Policies and Staff Handbook, different aspects of employment, including but not limited to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity and anti-discrimination, and other benefits and welfare, are clearly stated.

Compensation and Dismissal	In order to attract and retain talents, competitive remuneration packages are in place and are reviewed regularly to maintain the package's competitiveness made to existing and potential employees. When employees leave the Group, they will be interviewed by the Human Resource Department in order to find out the reasons they are leaving.
Recruitment and Promotion	The Group does its best in providing its employees with good development opportunity. All employees will be assessed and rewarded by their contribution, work performance and skills annually.
Working Hours and Rest periods	The Group embraces a work-life balance culture. The number of working hours and rest periods are clearly stated in the staff handbook of each of the Company and its subsidiaries.
Benefits and Welfare	The Group offers attractive benefits and welfare packages, including but not limited to annual leave, marriage leave, maternity leave, paternity leave and compassionate leave. Additionally, the Group offers a series of benefits, including tuition fee reimbursement, medical insurance, discretionary bonuses and transportation allowance.
Diversity, Equal Opportunities and Anti-discrimination	The Group endeavours to promote diversity and equal opportunities, and has zero tolerance for harassment in the workplace. Employees should be treated equally regardless of age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation. Those who encounter or witness any conducts of sexual harassment can report directly to the Executive Directors who would then be responsible for investigation. The Group understands that experienced workers can provide valuable insights to its operations and therefore, has cancelled the compulsory retirement age of 60 in order to retain experienced employees.
Prevention of Forced Labour	The Group has established an overtime work management system in order to manage the number of working hours for each employee.
Prevention of Child Labour	During the recruitment process, the Human Resource Department conducts a comprehensive inspection of the job's applicant identity and age through government-issued documents.

Development and Training

The Group believes that investing in employees' personal development is critical to Daido's success. Guided by the ESG Policies and Staff Handbook, the Group emphasises in employees' ongoing development and training.

Every year, the Group evaluates the relevancy of the training courses and offers job, development and promotion opportunities for outstanding employees to obtain professional or academic qualification training to improve their skills and knowledge. During the reporting year, several employees were trained in forklift operations and acquired appropriate licenses.

Health and Safety

Employees' health and safety are our main priority. It is the Group's commitment to provide a healthy and safe workplace for all its employees. With the ESG Policies as the backbone, the Safety Guideline encompasses an array of safety-related processes and practices, 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. Additionally, the Safety Committee, headed by the Group's Acting CEO, is represented by different departments to discuss on safety issues regularly every three months.

To better equip employees during cases of emergencies, emergency response trainings, such as fire drills and emergency response to ammonia leakage, are provided to employees regularly. Personal protective equipment is also provided to minimise employees' exposure to hazards.

The Group also provides free annual Influenza vaccination at operations, including operations of cold storage and logistics services. Daido also provides health insurance covering out-patient services and hospital expenses.

Case Study: Covid-19 Response Measures

In 2020, the Covid-19 pandemic has affected most people's lives. In order to prevent the transmission of the pandemic, Daido has provided guidelines in maintaining a sanitary workplace as well as leave arrangement for all coronavirus-related cases. For instance, the Group has increased the frequency of cleaning warehouses and surrounding areas. Daido has also purchased sanitisers with advance technology, which can effectively kill germs, for employees to sanitise before work to reduce the risk of transmission.

During the reporting year, there were 5 cases of work-related injuries. Four safety meetings were held to discuss on the injuries as well as the measures, such as reminders to raise employees' awareness on workplace safety, to prevent accidents from happening again. A total of 402 days were lost due to work-related injuries.

CARING FOR THE ENVIRONMENT

The Group values the natural environment and seeks to manage its environmental footprint and improve its resource use efficiency. As stated in the Group's ESG Policies, Daido is committed to reducing its environmental impacts, including emissions, use of resources, and the environment and natural resources, in different aspects of the operations across its supply chain. By continuously improving its environmental management practices and measures, the Group demonstrates its commitment in protecting the environment.

Emissions

Greenhouse Gas Emissions

The Group commissioned CCA to conduct carbon assessment to quantify the greenhouse gas ("GHG") emissions in its operation. The process of quantification was conducted according to the Guidelines[2] compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

GHG Emissions	Annual Emissions (tonnes of CO_2-e) 2020	2019	2018
Scope 1: Direct emissions	**607.76**	1,654.18	3,366.76
Scope 2: Energy indirect emissions[3]	**3,069.70**	4,192.76	5,975.22
Scope 3: Other indirect emissions	**42.04**	38.06	55.81[4]
Total GHG emissions	**3,719.50**	5,885.00	9,397.79
GHG emissions intensity (tonnes of CO_2-e/square metre floor area)	**0.09**	0.12	0.15

The Group's cold storage and logistics services businesses contributed mainly to the GHG emissions, such as consumption of electricity and fossil fuel consumption by our fleet vehicles and release from equipment and systems, accounting for 82.5% and 16.3% of total GHG emissions respectively. In the reporting year, the total GHG emissions accounted for 36.8% decrease compared with the previous reporting year. The major reason for the dramatic decrement is that the fugitive emissions released from the refrigerants were decreased due to the closure of Warehouse 2[5], where it consumed most of the R22 refrigerant. Moreover, the electricity consumption was reduced.

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

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

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

5 This warehousing facility was closed in April 2019.

Air emissions

Air emissions include sulphur oxide (SO_x), nitrogen oxides (NO_x) and respiratory suspended particles (RSP). Daido's main air emissions came from the use of fossil fuels in its fleet vehicles. All types of air pollutants show a slight decrease comparing with previous years. The main reason for it is because the fuel combusted by vehicles are less than last three years.

During the reporting year, in order to further reduce air emissions, the Group optimises its driving route and replaces existing vehicles with Euro VI emission standard by phase.

Air Emissions	Annual Emissions (kg) 2020	2019	2018
Nitrogen oxides (NO_x)	**2,959.10**	3,047.89	3,649.35
Sulphur oxides (SO_x)	**3.35**	3.52	3.88
Respiratory suspended particles (RSP)	**241.32**	248.54	297.61

Waste

Daido is committed to continuously reducing waste and promote recycling across its operations. Hazardous waste, such as fluorescent light tubes, and non-hazardous waste, such as domestic waste and recycled paper, were collected with the total weight of around 0.08 and 31.00 tonnes respectively. No e-waste was generated during the reporting year. The Group engages an external waste management company to review and manage its domestic waste and recycling practices of Warehouse 1. Recyclable items, such as carton boxes and plastic wrap, were collected and delivered to recyclers. Around 0.15 tonnes of waste paper were collected and recycled by paper recycling service provider.

Use of Resources

Energy

The total energy consumption accounted for a decrease of 20.9% compared with the previous reporting year. This is due to the decrease of 25.3% of electricity consumption during this reporting year, and the slight reduction in unleaded petrol and diesel consumption. As electricity is the major contributor to the Group's energy consumption, Daido has implemented a series of electricity saving measures to reduce our consumption and increase energy efficiency. By continuing to participate in the CLP's Automated Demand Response Programme, Daido has gathered information of its energy consumption through smart metres, so as to further reduce electricity use during peak hours.

Type		Energy consumption (MWh) 2020	2019	2018
Direct Energy	Petrol	**142.16**	144.40	139.24
	Diesel	**1,971.73**	2,074.91	2,307.10
Indirect Energy	Electricity[6]	**6,139.41**	8,221.10	11,716.12
Total energy consumption		**8,253.30**	10,440.41	14,162.46
Energy intensity (MWh/square metre)		**0.20**	0.21	0.23

In addition, the operation of the cold storage warehouse were constructed into separate rooms to offer more control over the room temperature, further optimises energy efficiency.

6 Electricity consumption from the industrial ice bars business was included in 2018. The operation of this business segment was terminated in September 2018.

Water

Water used in cooling tower and cleansing were two main water consumptions. During the reporting year, the total water consumption was 21,837 cubic metres. To reduce water consumption, the Group deploys several measures to maximise water usage efficiency, such as establishing a water reuse system and collecting defrosting water from cold storage warehouses, accounting for around 20 cubic metres per day to save fresh water. During the reporting year, the Group has no difficulty in sourcing water that is fit for purpose.

Packaging Materials

As a logistics provider, packaging materials are inevitable to the Group's daily operations. During the reporting year, the Group generated 7.0 tonnes of packaging materials. In the future, the Group will continue to explore different ways to minimise packaging materials.

Paper

The Group's operations, the Group is implementing different measures to save paper. For instance, employees are encouraged to use double-sided printing. When unavoidable, the unused side of the paper is used for drafting, printing and receiving faxes. Envelopes are also recycled to further minimise the usage of paper. The Group is currently implementing a paperless office and make full use of electronic communication equipment.

The Environment and Natural Resources

Apart from emissions and use of resources, the nature of Daido's business operations does not have a significant direct impact on the environment and natural resources. Nonetheless, the Group acknowledges its environmental impacts, such as the depletion of the ozone layer, caused by the use of refrigerants and is actively exploring environmentally friendly alternatives. In addition, the Group strictly abides by the relevant environmental laws and regulations in its daily operations.

Climate Change

Climate change causes the increase in frequency of extreme weather. This can have a significant impact on the Group's operations. Therefore, in the coming year, the Group will formulate policy regarding measures to identify and mitigate significant climate-related issues which have impacted, and those which may impact the Group.

SUPPORTING LOCAL COMMUNITIES

The Group understands its responsibility in supporting local communities in where it operates. Guided by the Group's ESG Policies, the Group participated in different community activities, such as a charity mooncake sale held by the Community Chest and a charity sale, "Pass-it-On Campaign 2020" held by the Hong Kong Red Cross, where it spent approximately HKD75,000. During the reporting year, the Group also tried to offer local food charity special discount to store food surplus in its cold storage, aiming to reduce food waste as well as give support to people in need.

Looking ahead, the Group will continue to strengthen its ties with the community and understand citizens' needs.

KPIS SUMMARY

Environmental Performance

	Type	2020	2019	2018
Air emissions	Nitrogen oxides (NO_x)(kg)	**2,959.10**	3,047.89	3,649.35
	Sulphur oxides (SO_x)(kg)	**3.35**	3.52	3.88
	Respiratory suspended particles (RSP)(kg)	**241.32**	248.54	297.61

	Scope	2020	2019	2018
GHG emissions	Scope 1: Direct emissions (tonnes of CO_2-e)	**607.76**	1,654.18	3,366.76
	Scope 2: "Energy indirect" emissions[7] (tonnes of CO_2-e)	**3,069.70**	4,192.76	5,975.22
	Scope 3: Other indirect emissions (tonnes of CO_2-e)	**42.04**	38.06	55.81[8]
	Greenhouse gas emissions in total (tonnes of CO_2-e)	**3,719.50**	5,885.00	9,397.79
	Greenhouse gas intensity (tonnes of CO_2-e/square metre floor area)	**0.092**	0.119	0.15

	Type	2020	2019	2018
Hazardous and non-hazardous waste	Hazardous waste (tonnes)	**0.08**	0.95	Not applicable
	Hazardous waste intensity (tonnes/square metre floor area)	**0.002**	0.019	Not applicable
	Non-hazardous waste (tonnes)	**31.00[9]**	40.43[10]	70.67
	Non-hazardous waste intensity (tonnes/square metre floor area)	**0.001[9]**	0.001	0.001

7 Electricity consumption from the industrial ice bars business was included in 2018. The operation of this business segment was terminated in September 2018.

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

9 Only includes Warehouse 1 data only as Warehouse 2 was closed in April 2019.

10 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	2020	2019	2018
Energy consumption	Direct energy (MWh)	**2,113.89**	2,219.31	2,446.34
	Indirect energy[11] (MWh)	**6,139.41**	8,221.10	11,716.12
	Total energy consumption (MWh)	**8,253.30**	10,440.41	14,162.46
	Energy intensity (MWh/square metre floor area)	**0.20**	0.21	0.23

	Type	2020	2019	2018
Water consumption	Total water consumption (cubic metre)	**21,837**	29,241	55,940.08[12]
	Water intensity (cubic metre/ square metre floor area)	**0.54**	0.59	0.89

	Type	2020	2019	2018
Packaging materials	Total packaging material used for finished products (tonnes)	**7.0**	19.21	Not applicable
	Packaging material intensity (tonnes/unit of product)	**0.0002**	0.0004	Not applicable

Social Performance

		Age				Male to female ratio		
	Gender	Below 30	30-50	Over 50	Total	2020	2019	2018
Total workforce[13]	Male	4	34	73	144	**3.4:1**	3.1:1	3.7: 1
	Female	1	19	13				
		Rank						
	Gender	Senior managerial level	Managerial level	General staff	Total			
	Male	2	10	99	144			
	Female	0	8	25				

[11] Electricity consumption from the industrial ice bars business was included in 2018. The operation of this business segment was terminated in September 2018.

[12] The figure was recalculated to include water consumption for the industrial ice bars business.

[13] All employees work on full time basis.

		Age				New employee rate		
	Gender	Below 30	30-50	Over 50	Total	2020	2019	2018
Number of new employees	Male	16	10	13	43	**29.9%**	29.6%	6.5%
	Female	0	3	1				

		Age				Employee turnover rate		
	Gender	Below 30	30-50	Over 50	Total	2020	2019	2018
Employee turnover	Male	18	15	19	58	**40.3%**	31.2%	13.4%
	Female	0	4	2				

	Gender	2020	2019	2018
Work-related injuries	Male	**5**	11	6
	Female	**0**	2	2

	Gender	2020	2019	2018
Work-related fatalities	Male	**0**	0	0
	Female	**0**	0	0

	Region	2020	2019	2018
Number of suppliers	Hong Kong	**124**	127	129
	Mainland China	**6**	7	6
	Taiwan	**1**	1	1
	German	**0**	0	1
	Japan	**0**	0	1

		2020	2019	2018
Resources contribute to community investment projects	Total amount	**HKD74,669**	HKD49,572	HKD50,994

ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
A. Environmental		
A1 Emissions		
General Disclosure	Information on:	
	(a) the policies; and	46
	(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.	39
A1.1	The types of emissions and respective emissions data.	47, 49
A1.2	Greenhouse gas emissions in total and intensity.	46, 49
A1.3	Total hazardous waste produced and intensity.	47, 49
A1.4	Total non-hazardous waste produced and intensity.	47, 49
A1.5	Description of measures to mitigate emissions and results achieved.	47
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	47
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	46
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	47, 50
A2.2	Water consumption in total and intensity.	48, 50
A2.3	Description of energy use efficiency initiatives and results achieved.	47
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	48
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	48, 50
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	46
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	48

Material Aspect	Content	Page Index/Remarks
B. Social		
B1 Employment		
General Disclosure	Information on:	
	(a) the policies; and	44
	(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.	39
B1.1	Total workforce by gender, employment type, age group and geographical region.	50
B1.2	Employee turnover rate by gender, age group and geographical region.	51
B2 Health and Safety		
General Disclosure	Information on:	
	(a) the policies; and	45
	(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.	39
B2.1	Number and rate of work-related fatalities.	45, 51
B2.2	Lost days due to work injury.	45
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	45
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	45
B4 Labour Standards		
General Disclosure	Information on:	
	(a) the policies; and	44
	(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.	44

Material Aspect	Content	Page Index/Remarks
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	43
B5.1	Number of suppliers by geographical region.	51
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	43
B6 Product Responsibility		
General Disclosure	Information on:	
	(a) the policies; and	43
	(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.	39
B6.4	Description of quality assurance process and recall procedures.	43
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	43
B7 Anti-corruption		
General Disclosure	Information on:	
	(a) the policies; and	42
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	39
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.	42
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	42
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.	48
B8.2	Resources contributed to the focus area.	51

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 61 to 143, which comprise the consolidated statement of financial position as at 31st December, 2020, 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, 2020, 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 (continued)

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 and related service business

We identified the impairment assessment of property, plant and equipments, and right-of-use assets related to cold storage and related service business as a key audit matter due to the significance of the balances and the involvement of subjective judgement and management estimation in determining the recoverable amounts of the property, plant and equipment, and right-of-use assets.

As disclosed in notes 4 and 16 to the consolidated financial statements, the management considers each cold storage warehouse and the business of providing management service to an associate as a separate identifiable cash-generating unit ("CGU"). The carrying amounts before impairment allowances of the Group's property, plant and equipment, and right-of-use assets subject to impairment assessment as at 31st December, 2020 amounted to approximately HK$7,137,000 and HK$193,068,000, respectively. The management of 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 valuer 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 an independent professional valuer in the impairment assessment are considered to be key areas of judgement.

Based on the management's assessment, impairment loss amounted to HK$3,138,000 in respect of the property, plant and equipment has been recognised and no impairment in respect of right-of-use assets has been recognised in profit or loss during the year ended 31st December, 2020.

Our procedures in relation to the impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage and related service business include:

- Obtaining an understanding of management's process of reviewing and evaluating impairment assessment of property, plant and equipment and right-of-use assets related to cold storage and related service business;
- Assessing the competence, capabilities and objectivity of the valuer, and checking the qualifications of the valuer;
- Discussing the scope of work of the valuer with the management of the Group and reviewing the terms of engagement to determine that there were no matters that imposed scope limitations upon the valuer;
- Obtaining an understanding from the valuer 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 and related service business of the Group and market data;
- Comparing the key inputs mentioned above used in the valuation model to entity-specific historical information to evaluate the appropriateness of using these inputs in the valuation models;
- Engaging our valuation specialist to evaluate the appropriateness of the discount rates used; and
- Checking arithmetic accuracy of the cash flow projection calculation and impairment loss calculation.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in an associate and amounts due from an associate	
We identified the impairment assessment of interest in an associate and amounts due from an associate as a key audit matter due to the significance of the balances and the involvement of subjective judgement and management estimation associated with determining the impairment on interest in an associate and amounts due from an associate. As at 31st December, 2020, the carrying amount of the Group's interest in associate amounted to approximately HK$30,058,000 including fair vale adjustment on non-current interest-free loan to an associate and loan to an associate, which are considered, in substance, form part of the Group's net investment in the associate, less share of post-acquisition losses and impairment loss recognised, and the carrying amount of amounts due from an associate amounted to approximately HK$20,679,000. As detailed in note 3 to the consolidated financial statements, 1) the Group has applied HKFRS 9 *Financial Instruments* in determining impairment of loan to and amounts due from an associate measured under expected credit loss ("ECL") model; and 2) the entire carrying amount of the interest in an associate is tested for impairment in accordance with HKAS 36 *Impairment of Assets*.	Our procedures in relation to the impairment assessment of interest in an associate and amounts due from an associate include: • Obtaining an understanding of management's process of reviewing and evaluating impairment assessment on interest in an associate and amounts due from an associate; • Evaluating the cash flow projections of the associate in respect of the expected repayments of the loan to and amounts due from the associate, and assessing the reasonableness of the assumptions applied, including the amount and timing of the repayments; • Obtaining an understanding from the valuer about the methodologies used and the key inputs, such as occupancy rates, growth in charge rates and the discount rates, adopted in the cash flow projections for determining the ECL and recoverable amount of the interest in an associate and assessing the appropriateness of these methodologies and inputs based on our knowledge of the cold storage operation of the associate and market data; • Comparing the key inputs used in the valuation model to entity-specific historical information to evaluate the appropriateness of using these inputs in the valuation models;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of interest in an associate and amounts due from an associate (continued)	
As disclosed in notes 4 and 36 to consolidated financial statements, loan to and amounts due from an associate are assessed for ECL under lifetime ECL model individually as the credit risk of the loan to and amounts due from an associate have increased significantly since initial recognition and the evidence for ECL assessment at individual level is available. The amount of ECL of loan to an associate and amounts due from an associate are calculated by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances. The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections of the associate in estimating the recoverable amounts of the interest in associate. 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 an independent professional valuer in the impairment assessment are considered to be key areas of judgement. Based on the management's assessment, an accumulated impairment losses amounted to HK$7,500,000 in respect of interest in associate have been recognised as at 31st December, 2020.	• Engaging our valuation specialist to evaluate the appropriateness of the discount rate used; and • Checking arithmetic accuracy of the cash flow projection calculation and impairment loss 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.

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.

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

- 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.

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, actions taken to eliminate threats or safeguards applied.

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 Ka-Lai Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th March, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	NOTES	2020 HK$'000	2019 HK$'000
Revenue	5		
– Provision of cold storage and related services		**172,844**	191,983
– Trading of food and beverage		**81,492**	95,044
– Interest income from money lending services		**300**	2,588
Total revenue		**254,636**	289,615
Cost of revenue		**(224,073)**	(239,097)
Gross profit		**30,563**	50,518
Other income	6	**19,621**	5,980
Other gains and losses	7	**(333)**	(469)
Reversal of (impairment losses) recognised under expected credit loss model		**526**	(373)
Selling and distribution expenses		**(13,804)**	(20,819)
Administrative expenses		**(41,859)**	(49,166)
Share of loss of an associate		**(16,017)**	(21,954)
Impairment loss recognised on interest in an associate	17	**–**	(7,500)
Finance costs	8	**(19,251)**	(23,355)
Loss before tax		**(40,554)**	(67,138)
Taxation	9	**(30)**	–
Loss for the year	10	**(40,584)**	(67,138)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,027**	(454)
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**1,228**	–
Other comprehensive income (expense) for the year		**3,255**	(454)
Total comprehensive expense for the year		**(37,329)**	(67,592)
Loss for the year attributable to:			
Owners of the Company		**(40,584)**	(67,138)
Non-controlling interests		**–**	–
		(40,584)	(67,138)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(37,329)**	(67,592)
Non-controlling interests		**–**	–
		(37,329)	(67,592)
Loss per share – basic	13	**(HK1.62 cents)**	(HK2.76 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current Assets			
Property, plant and equipment	14	**6,808**	10,374
Right-of-use assets	15	**195,873**	264,329
Goodwill		**68**	68
Interest in an associate	17	**30,058**	43,327
Financial assets at fair value through profit and loss ("FVTPL")	18	**459**	686
Equity instrument at fair value through other comprehensive income ("FVTOCI")	19	**–**	–
Rental deposits paid	21	**16,613**	14,901
Pledged bank deposits	33	**67,785**	65,568
		317,664	399,253
Current Assets			
Inventories		**850**	2,715
Trade and other receivables, deposits and prepayments	21	**47,897**	55,474
Amounts due from an associate	17	**20,679**	8,077
Loan receivables	20	**1,664**	1,975
Bank balances and cash	22	**69,781**	117,966
		140,871	186,207
Current Liabilities			
Trade and other payables	23	**19,932**	23,209
Contract liabilities	24	**4,865**	4,894
Bank borrowing	25	**35,000**	65,000
Lease liabilities	26	**68,022**	63,475
Tax payable		**32**	–
Bonds	30	**40,000**	–
Derivative financial instruments	29	**1,800**	–
		169,651	156,578
Net Current (Liabilities) Assets		**(28,780)**	29,629
Total Assets Less Current Liabilities		**288,884**	428,882

	NOTES	2020 HK$'000	2019 HK$'000
Capital and Reserves			
Share capital	28	**29,011**	24,323
Share premium and reserves		**58,741**	89,236
Equity attributable to owners of the Company		**87,752**	113,559
Non-controlling interests		**3,163**	3,163
		90,915	116,722
Non-current Liabilities			
Lease liabilities	26	**137,969**	205,435
Derivative financial instruments	29	**–**	6,725
Bonds	30	**60,000**	100,000
		197,969	312,160
		288,884	428,882

The consolidated financial statements on pages 61 to 143 were approved and authorised for issue by the board of directors on 30th March, 2021 and are signed on its behalf by:

FUNG PAK KEI	**HO HON CHUNG, IVAN**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	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, 2019	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
Loss for the year	–	–	–	–	–	**(40,584)**	**(40,584)**	–	**(40,584)**
Other comprehensive income for the year	–	–	–	–	**3,255**	–	**3,255**	–	**3,255**
Total comprehensive income (expense) for the year	–	–	–	–	**3,255**	**(40,584)**	**(37,329)**	–	**(37,329)**
Subscription of new shares (note 28)	**4,688**	**6,938**	–	–	–	–	**11,626**	–	**11,626**
Transaction costs attributable to subscription of shares	–	**(104)**	–	–	–	–	**(104)**	–	**(104)**
At 31st December, 2020	**29,011**	**381,060**	**39,984**	**(102,078)**	**1,341**	**(261,566)**	**87,752**	**3,163**	**90,915**

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, 2020

	NOTES	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(40,554)**	(67,138)
Adjustments for:			
Change in fair value of derivative financial instruments		**(4,925)**	247
Change in fair value of financial assets at FVTPL		**227**	45
Depreciation of property, plant and equipment		**3,475**	3,325
Depreciation of right-of-use assets		**68,713**	72,566
Finance costs		**19,251**	23,355
Impairment loss recognised on interest in an associate		**–**	7,500
(Reversal of) impairment losses under expected credit loss model		**(526)**	373
Impairment loss recognised on property, plant and equipment		**3,138**	–
Provision for an onerous contract		**1,622**	–
Interest income		**(4,822)**	(8,187)
Loss on early termination of leases		**185**	–
Loss on disposal/written off of property, plant and equipment		**575**	177
Loss on disposal of a subsidiary	34	**1,453**	–
Share of loss of an associate		**16,017**	21,954
Operating cash flows before movements in working capital		**63,829**	54,217
Decrease (increase) in inventories		**1,865**	(1,508)
Decrease in trade and other receivables, deposits and prepayments		**6,741**	19,004
Decrease in loan receivables		**100**	66,473
Increase in amounts due from an associate		**(12,602)**	(8,077)
Decrease in trade and other payables		**(4,194)**	(6,156)
Decrease in contract liabilities		**(29)**	(2,636)
Cash generated from operations		**55,710**	121,317
Interest received from money lending business		**300**	2,588
NET CASH FROM OPERATING ACTIVITIES		**56,010**	123,905
INVESTING ACTIVITIES			
Interest received		**1,084**	1,027
Dividend income from equity instrument at FVTOCI		**–**	8,000
Purchase of property, plant and equipment		**(3,622)**	(9,398)
Proceeds from disposal of property, plant and equipment		**–**	5
Payments for rental deposits of right-of-use assets		**(555)**	(2,640)
Net cash outflow from disposal of a subsidiary	34	**(167)**	–
Refunds of rental deposits of right-of-use assets		**–**	10,293
Loan to an associate		**–**	(10,957)
Placement of pledged bank deposits		**(2,217)**	–
Withdrawal from pledged bank deposits		**–**	39,785
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(5,477)**	36,115

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(19,251)**	(23,355)
Repayments of lease liabilities	**(63,034)**	(72,135)
Repayment of bank borrowing	**(30,000)**	–
Proceeds from the subscription of shares	**11,626**	–
Transaction cost attributable to subscription of shares	**(104)**	–
Distribution to non-controlling interests	**–**	(2,000)
NET CASH USED IN FINANCING ACTIVITIES	**(100,763)**	(97,490)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(50,230)**	62,530
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**117,966**	55,898
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,045**	(462)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**69,781**	117,966

1. GENERAL INFORMATION

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") and provision of money lending services.

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")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year 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.

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

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 and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concession[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-Current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1st January, 2023
2 Effective for annual periods beginning on or after 1st January, 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1st June, 2020
5 Effective for annual periods beginning on or after 1st January, 2021

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

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 HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31st December, 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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.

As at 31st December, 2020, the Group has recorded a loss for the year of HK$40,584,000 and net current liabilities position of HK$28,780,000. As at 31st December, 2020, the Group's total borrowings comprising bank borrowing, lease liabilities and bonds amounted to approximately HK$340,991,000 and the balance of approximately HK$143,022,000 will be due in the coming twelve months from the end of the reporting period. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. As disclosed in note 25, subsequent to the reporting date, the Group had entered into a supplement loan agreement with the bank to extend the maturity date of the borrowing with a carrying amount of HK$35,000,000 as at 31st December, 2020 to 23rd April, 2023. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months taking into account the bank facilities and internal resources available. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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 *Leases*, 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.

3.2 Significant accounting policies

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non – controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investment in an associate (continued)

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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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 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.

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 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.

The Group provides other services to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the services as the Group continues to provide the services to the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations for cold storage services or logistics services and other related services, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring to the promised goods or services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration for management services, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Definition of a lease

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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. 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.

The Group as a lessee

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

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 market rental rate following a market rent review, 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (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, less any lease incentives receivables, 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets, 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.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

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 unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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.

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

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 *Revenue from Contracts with Customers*. 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 from money lending services which are derived from the Group's ordinary course of business are presented as revenue. Imputed interest income from loan to an associate and rental deposits paid, and interest income from bank deposits are presented as other income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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 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.

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 is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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, amounts due from an associate, loan receivables, loan to an associate, pledged bank deposits and bank balances) which are subject to impairment assessment 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-related amounts due from an associate).

For all other instruments, the Group measures the loss allowance equal to 12m ECL, when there has been a significant increase in credit risk since initial recognition, in which case 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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 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; or

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

(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, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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 and 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.

Except for the trade receivables with significant outstanding balances, loan to an associate, amounts due from an associate and loan receivables which are assessed individually, ECL for other financial assets is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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 to and amounts due from an associate, and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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.

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 and related service 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 individually, the Group estimates the recoverable amounts of the cash-generating units ("CGUs") to which the assets belong.

The management of the Group engaged an independent professional valuer 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 an independent professional valuer 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.

Changing the key assumptions and estimates, including the occupancy rates, growth in charge rates and the discount rates in the cash flow projections, could materially affect the recoverable amounts. Furthermore, these key assumption and estimates subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in the market.

As at 31st December, 2020, the carrying amounts before impairment allowances of the property, plant and equipment and right-of-use assets related to three CGUs related to cold storage and related service business subject to impairment assessment are approximately HK$7,137,000 and HK$193,068,000 (2019: HK$4,499,000 and HK$259,565,000), respectively. An impairment loss amounted to HK$3,138,000 (2019: nil) in respect of the property, plant and equipment has been recognised and no (2019: nil) impairment in respect of right-of-use assets has been recognised in profit or loss during the year ended 31st December, 2020.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of interest in an associate and amounts due from an associate

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.

Changing the key assumptions and estimates, including the occupancy rates, growth in charge rates and the discount rates in the cash flow projections, could materially affect the recoverable amounts. Furthermore, these key assumption and estimates subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in the market.

As at 31st December, 2020, the carrying amount of the interest in an associate which includes fair value adjustment on non-current interest-free loan to an associate and loan to an associate, which are considered, in substance, form part of the Group's net investment in the associate, amounted HK$30,058,000 (2019: HK$43,327,000), after taking into account the accumulated impairment of HK$7,500,000 (2019: HK$7,500,000) recognised.

Loan to an associate and amounts due from an associate is assessed for ECL individually. Loan to an associate and amounts due from an associate are considered as doubtful and assessed for ECL under lifetime ECL model individually as the credit risk of the loan to and amounts due from an associate have increased significantly since initial recognition and the evidence for ECL assessment as individual level is available. Cash flow projections taking into account the business growth of the associate is obtained in order to estimate the amount of future repayments and timing of such cash flows, and estimate the amount of ECL of loan to an associate and amounts due from an associate by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan to an associate and amounts due from an associate are disclosed in note 36.

Provision of ECL for trade receivables

Trade receivables are assessed for ECL under lifetime ECL model. The management of the Group estimates the amount of ECL for trade receivables with significant balances individually whereas the remaining balance of trade receivables are assessed collectively 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 macroeconomic 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 and 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 is disclosed in note 36.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of interest in an associate and amounts due from an associate (continued)

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 record 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, forward-looking information and collateral value 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 36.

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, 2020, the Group's derivative financial instruments amounting to a liability of HK$1,800,000 (2019: HK$6,725,000) are measured at fair values. Details of such derivative financial instruments and its fair value measurement are set out in notes 29 and 36(c) respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the year ended 31st December, 2020			For the year ended 31st December, 2019		
	Cold storage and related services segment HK$'000	Trading of food and beverage segment HK$'000	Total HK$'000	Cold storage and related services segment HK$'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	124,923	–	124,923	130,955	–	130,955
Loading and handling services	5,285	–	5,285	6,848	–	6,848
Logistic and packing services	30,861	–	30,861	46,774	–	46,774
Management income	11,775	–	11,775	7,406	–	7,406
	172,844	–	172,844	191,983	–	191,983
Revenue from trading of food and beverage	–	81,492	81,492	–	95,044	95,044
Total	172,844	81,492	254,336	191,983	95,044	287,027
Geographical markets						
Mainland China	–	81,492	81,492	–	95,044	95,044
Hong Kong	172,844	–	172,844	191,983	–	191,983
Total	172,844	81,492	254,336	191,983	95,044	287,027
Timing of revenue recognition						
A point in time	–	81,492	81,492	–	95,044	95,044
Over time	172,844	–	172,844	191,983	–	191,983
Total	172,844	81,492	254,336	191,983	95,044	287,027

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

Performance obligations for contracts with customers

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

Cold storage, loading and handling services, logistic and packing services, and management income are considered to be separate 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 normal credit term is 30 to 60 days.

Cold storage, loading and handling services, logistic and packing services are for a period of one year or less. As permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

For management income service with a contract term of three years period, transaction price allocated to performance obligations which have been satisfied but not yet recognised is not disclosed due to variable consideration constraint.

Trading of food and beverage

The Group sells 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 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 types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

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

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

2020

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	**172,844**	**81,492**	**300**	**254,636**
Segment (loss) profit	**(20,771)**	**126**	**53**	**(20,592)**
Unallocated income				**1,583**
Unallocated expenses				**(15,267)**
Change in fair value of financial assets at FVTPL				**(227)**
Finance costs				**(6,051)**
Loss before tax				**(40,554)**

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)

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 from) profit earned by each segment without allocation of certain other income, central administration costs (including certain auditor's remuneration, certain depreciation of right-of-use assets and property, plant and equipment and directors' remuneration), 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:

	2020 HK$'000	2019 HK$'000
Assets		
Cold storage and related services	**310,721**	366,308
Trading of food and beverage	**40,129**	28,346
Money lending services	**2,247**	2,056
Total segment assets	**353,097**	396,710
Unallocated assets	**105,438**	188,750
Consolidated assets	**458,535**	585,460
Liabilities		
Cold storage and related services	**255,866**	348,602
Trading of food and beverage	**6,292**	13,603
Money lending services	**41**	3,138
Total segment liabilities	**262,199**	365,343
Unallocated liabilities	**105,421**	103,395
Consolidated liabilities	**367,620**	468,738

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, certain 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 lease liabilities, bonds and certain other payables.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information

2020

	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	1,596	1,699	–	3,295	327	3,622
Additions to right-of-use assets	742	145	–	887	–	887
Change in fair value of derivative financial instruments	(4,925)	–	–	(4,925)	–	(4,925)
Depreciation of property, plant and equipment	2,910	90	–	3,000	475	3,475
Depreciation of right-of-use assets	66,630	1,042	–	67,672	1,041	68,713
Loss on disposal/written-off of property, plant and equipment	575	–	–	575	–	575
Impairment loss recognised on property, plant and equipment	3,138	–	–	3,138	–	3,138
(Reversal of) impairment losses recognised under expected credit loss model						
– loan receivables	–	–	211	211	–	211
– trade receivables	–	(737)	–	(737)	–	(737)
Imputed interest income on loan to an associate	(2,748)	–	–	(2,748)	–	(2,748)
Interest income from bank deposits	(13)	(28)	–	(41)	(976)	(1,017)
Finance cost	13,101	99	–	13,200	6,051	19,251
Interest in an associate	30,058	–	–	30,058	–	30,058
Share of loss of an associate	16,017	–	–	16,017	–	16,017
Loss on disposal of a subsidiary	–	–	–	–	1,453	1,453

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information (continued)

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	3,809	–	24,986	1,798	26,784
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
(Reversal of) impairment losses recognised under expected credit loss model						
– 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)
Interest income from bank deposits	(28)	(20)	–	(48)	(960)	(1,008)
Finance cost	17,118	173	1,277	18,568	4,787	23,355
Interest in an associate	43,327	–	–	43,327	–	43,327
Share of loss of an associate	21,954	–	–	21,954	–	21,954

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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 interest in an associate, financial assets at FVTPL, equity instrument at FVTOCI, pledged bank deposits and rental deposits paid) are set out below:

	Revenue from external customers		Non-current assets	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Hong Kong	**173,144**	**194,571**	201,050	271,531
The PRC	**81,492**	**95,044**	1,699	3,240
	254,636	**289,615**	202,749	274,771

Revenue from major products and services

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

	2020 HK$'000	2019 HK$'000
Provision of cold storage and logistic services	**172,844**	191,983
Trading of food and beverage	**81,492**	95,044
Interest income from money lending services	**300**	2,588
	254,636	289,615

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A[1]	**39,516**	42,842
Customer B[2]	**29,298**	31,518
Customer C[1]	**N/A[3]**	33,385

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 This customer did not contribute over 10% of the total revenue of the Group during the year.

6. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Government subsidy (Note)	**10,841**	3
Imputed interest income on loan to an associate	**2,748**	3,833
Imputed interest income on rental deposits paid	**757**	758
Interest income from bank deposits	**1,017**	1,008
Income from usage of machinery	**1,480**	–
Other service income	**2,613**	–
Sundry income	**165**	378
	19,621	5,980

Note: During the current year, the Group recognised government grants of HK$10,841,000 in respect of Covid-19-related subsidies, of which (i) HK$10,721,000 (2019: nil) relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region ("Hong Kong Government") for subsidising the salary costs incurred for the periods from June to August 2020 and September to November 2020; and (ii) an one-off subsidy of HK$120,000 (2019: nil) from the Transport Department of the Hong Kong Government for subsidising goods vehicles.

7. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
Change in fair value of derivative financial instruments	**4,925**	(247)
Change in fair value of financial assets at FVTPL	**(227)**	(45)
Loss on disposal/written off of property, plant and equipment	**(575)**	(177)
Loss on disposal of a subsidiary (note 34)	**(1,453)**	–
Loss on early termination of leases	**(185)**	–
Impairment loss of property, plant and equipment	**(3,138)**	–
Net foreign exchange gain	**320**	–
	(333)	(469)

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expense on bank borrowing	**2,158**	4,591
Interest expense on bonds	**6,000**	6,000
Interest expense on lease liabilities	**11,093**	12,764
	19,251	23,355

9. TAXATION

	2020 **HK$'000**	2019 HK$'000
PRC Enterprise Income Tax:		
Current	**30**	–

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 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.

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:

	2020 HK$'000	2019 HK$'000
Loss before tax	**(40,554)**	(67,138)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(6,691)**	(11,078)
Tax effect of share of result of an associate	**2,643**	3,622
Tax effect of expenses not deductible for tax purpose	**496**	1,542
Tax effect on other deductible temporary differences not recognised	**469**	–
Tax effect of income not taxable for tax purpose	**(3,359)**	(260)
Tax effect of tax losses not recognised	**8,210**	7,175
Utilisation of tax losses previously not recognised	**(892)**	(189)
Utilisation of other deductible temporary differences previously not recognised	**–**	(410)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(846)**	(402)
Taxation for the year	**30**	–

Details of deferred taxation are set out in note 27.

10. LOSS FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	**1,680**	1,500
– non-audit service	**92**	49
Cost of inventories recognised as expenses	**54,306**	76,253
Depreciation for property, plant and equipment (Note)	**3,475**	3,325
Depreciation for right-of-use assets (Note)	**68,713**	72,566
(Reversal of) impairment losses recognised under expected credit loss model		
– loan receivables	**211**	16
– trade receivables	**(737)**	357
	(526)	373
Staff costs, including directors' remuneration (note 11)		
– salaries and other benefits costs	**74,565**	70,487
– contributions to retirement benefits schemes	**3,918**	4,625

Note: Depreciation for property, plant and equipment and right-of-use assets of approximately HK$2,555,000 (2019: HK$2,808,000) and HK$66,629,000 (2019: HK$69,483,000) are included in cost of revenue during the year ended 31st December, 2020.

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$'000	Ho Hon Chung, Ivan HK$'000	Fung Wa Ko HK$'000	Au Tat Wai HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total 2020 HK$'000
2020								
Fees	120	132	180	72	180	180	180	1,044
Other emoluments								
Salaries and other benefits	1,208	1,315	–	–	–	–	–	2,523
Contributions to retirement benefits schemes	37	–	–	–	–	–	–	37
Total emoluments	1,365	1,447	180	72	180	180	180	3,604

	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$'000	Total 2019 HK$'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

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

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

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 their contribution to 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.

Mr. Au Tat Wai had resigned as the Chief Executive Officer ("CEO") with effect from 4th June, 2019. His emoluments for the year ended 31st December, 2019 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 for both years 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, 2020 and 31st December, 2019.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2019: three) were directors of the Company whose emoluments are included in the disclosures in the table above. The emolument of three (2019: three, including one of the individuals who resigned as director and continued to be the employee of the Group) individuals, were as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	**3,010**	2,622
Contributions to retirement benefits schemes	**90**	136
	3,100	2,758

Their emoluments were within the following band:

	2020 Number of employees	2019 Number of employees
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	–

12. DIVIDEND

No dividend was paid during the year (2019: nil), nor has any dividend been proposed since the end of the reporting period (2019: 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	**2020 HK$'000**	2019 HK$'000
Loss for the purpose of basic loss per share attributable to owners of the Company	**40,584**	67,138
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,504,033**	2,432,304

No diluted loss per share is presented as there were no potential ordinary shares in issue for years ended 31st December, 2020 and 31st December, 2019.

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, 2019	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
Additions	1,692	351	–	1,579	3,622
Written off	(894)	(185)	–	(7,986)	(9,065)
Disposal of a subsidiary	(385)	(90)	–	(937)	(1,412)
Transfer from right-of-use assets	–	–	1,255	–	1,255
At 31st December, 2020	11,601	1,957	10,832	18,838	43,228
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2019	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
Provided for the year	531	220	168	2,556	3,475
Eliminated on written off	(356)	(185)	–	(7,949)	(8,490)
Eliminated on disposal of a subsidiary	(385)	(90)	–	(937)	(1,412)
Impairment loss recognised in profit or loss	–	157	–	2,981	3,138
Transfer from right-of-use assets	–	–	1,255	–	1,255
At 31st December, 2020	9,126	1,509	10,583	15,202	36,420
CARRYING VALUES					
At 31st December, 2020	2,475	448	249	3,636	6,808
At 31st December, 2019	1,852	474	417	7,631	10,374

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%

Details of impairment assessment of property, plant and equipment related to cold storage and related service business are set out in note 16.

15. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK$'000	Offices HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31st December, 2020				
Carrying amount	**193,068**	**2,196**	**609**	**195,873**
As at 31st December, 2019				
Carrying amount	259,565	4,622	142	264,329
For the year ended 31st December, 2020				
Depreciation charge	**(66,589)**	**(1,941)**	**(183)**	**(68,713)**
Exchange adjustments	**–**	**148**	**–**	**148**
For the year ended 31st December, 2019				
Depreciation charge	(69,483)	(2,832)	(251)	(72,566)
Exchange adjustments	–	(110)	–	(110)

	Year ended 31st December, 2020 HK$'000	Year ended 31st December, 2019 HK$'000
Total cash outflow for leases	**74,127**	84,899
Additions to right-of-use assets	**887**	26,784

During the year ended 31st December, 2020, the Group entered into early termination agreements with landlord to terminate lease contracts, which resulted in derecognition of right-of-use assets and lease liabilities of HK$778,000 and HK$779,000, respectively.

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, two cold storage warehouses and motor vehicles for its operations. Lease contracts are entered into for fixed term of 2 to 8 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain 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.

During the year, the Group entered into new lease agreements for the use of offices and motor vehicles for 1 to 3 years. On the lease commencement, the Group recognised HK$887,000 right-of-use assets and HK$743,000 lease liabilities (2019: HK$26,784,000 right-of-use assets and HK$26,409,000 lease liabilities).

15. RIGHT-OF-USE ASSETS (continued)

Extension and termination option

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. The extension option held is exercisable only by the Group and not by the respective lessor. The termination option held is exercisable by both the Group and the respective lessor.

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

	Lease liabilities recognised as at 31st December, 2020 HK$'000	**Potential future lease payments not included in lease liabilities (undiscounted) 31st December, 2020 HK$'000**	Lease liabilities recognised as at 31st December, 2019 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) 31st December, 2019 HK$'000
Cold storage warehouses – Hong Kong	**203,098**	**226,413**	264,404	226,413

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, 2020, there is no such triggering event.

During the year ended 31st December, 2020, lessor of a warehouse provided rent concessions resulted from the specific clause as part of the original lease contracts that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use. Such rent reduction or suspension of rent amounted to HK$1,384,807 is recognised in profit or loss during the year ended 31st December, 2020.

16. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS RELATED TO COLD STORAGE AND RELATED SERVICE 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 and related service business and, conducted impairment assessment on the recoverable amounts of property, plant and equipment, and right-of-use assets with carrying amounts before impairment allowances of HK$7,137,000 and HK$193,068,000 (2019: HK$4,499,000 and HK$259,565,000) respectively. The Group leases two cold storage warehouses and engages the business of providing management service to an associate, and estimates the recoverable amounts of three CGUs of the cold storage and related services segment to which the assets belong when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amounts of CGUs has been determined based on a value in use calculation. The management of the Group engaged an independent professional valuer 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		CGU 2		CGU 3
	2020	2019	**2020**	2019	**2020**
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**
Underlying property, plant and equipment	1,856	1,943	2,143	2,556	3,138
Underlying right-of-use assets	186,009	245,447	7,059	14,118	–
Number of months under projections	38 months	50 months	12 months	24 months	35 months
Annual occupancy rates	69% – 83%	79% – 83%	65%	67% – 70%	85% – 89%
Annual growth in charge rates	1.8% – 3.5%	4% – 5%	–	6%	2% – 4%
Pre-tax discount rate	17.6%	15.36%	20.7%	15.94%	10.96%

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 17.6%, 20.7% and 10.96% for CGU 1, CGU 2 and CGU 3 respectively (2019: 15.36% and 15.94% for CGU 1 and CGU 2 respectively) as at 31st December, 2020. The annual occupancy rates and annual growth in charge rates used are estimated based on the entity-specific historical information. The growth rates and discount rate have been reassessed as at 31st December, 2020 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's cold storage business.

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 except for CGU 3, in which the recoverable amount of CGU 3 is insignificant and impairment of HK$3,138,000 has been recognised against the carrying amounts of property, plant and equipment in relation to CGU 3.

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

	2020 **HK$'000**	2019 HK$'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**	42,079
Share of post-acquisition losses and other comprehensive expenses	**(34,579)**	(30,507)
Impairment loss recognised (Note c)	**(7,500)**	(7,500)
	–	4,072
Loan to an associate (Note b)	**42,003**	39,255
Share of post-acquisition losses and other comprehensive expenses	**(11,945)**	–
	30,058	39,255
	30,058	43,327
Amounts due from an associate (Note d)	**20,679**	8,077

* Less than HK$1,000

Notes:

a. Details of each of the Group's associates as at 31st December, 2020 and 2019 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
		2020 **%**	2019 %	**2020** **%**	2019 %	
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 has significant influence or 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.

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

Notes: (continued)

b. At 31st December, 2020, loan to an associate is unsecured, interest-free and considered as long-term interest that, in substance, form part of the Group's net investments in the relevant associate. Fair value of the loan to an associate on initial recognition is determined based on effective interest rate of 16.5% per annum and the difference between the principal amount of the loan and its fair value determined on initial recognition is included in the investment cost in an associate as deemed contribution to the associate. As at 31st December, 2020, included in fair value adjustment on non-current interest-free loan to an associate are HK$19,019,000 recognised at initial recognition as at 31st December, 2018 and HK$23,060,000 additional adjustment due to extension of longer expected repayment years recognised as at 31st December, 2019. As at 31st December, 2020, the carrying amount of the loan to an associate of HK$42,003,000 (2019: HK$39,255,000) before share of post-acquisition losses are assessed ECL under HKFRS 9 and details of impairment assessment are set out in note 36.

c. At 31st December, 2020, an accumulated impairment loss in respect of interest in an associate amounted to HK$7,500,000 (2019: HK$7,500,000) have been recognised. During the year ended 31st December, 2020, the associate remained in loss making position and in position of net liabilities of HK$37,962,000. 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. As at 31st December, 2019, based on the assessment, the recoverable amount of the Group's interest in an associate was determined based on the value in use, which was lower than its carrying amount, accordingly, an impairment loss of HK$7,500,000 was recognised as at 31st December, 2019. As at 31st December, 2020, the management of the Group also conducted the impairment assessment and concluded no additional impairment or reversal of impairment should be made. 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 (2019: 5 years). The cash flows beyond the 5-year period (2019: 5-year period) were extrapolated with 3% (2019: 3%) growth rate, and discounted at 18.6% (2019: 16.13%) per annum which was determined by an independent professional valuer engaged by the Group.

d. At 31st December, 2020, the gross carrying amount of amounts due from an associate of HK$20,679,000 (2019: HK$8,077,000) is unsecured and interest-free. Included in the balances was an amount with gross carrying amount of HK$20,392,000 (2019: HK$7,406,000), which is trade nature and with 30–60 days credit period. The remaining amount of HK$287,000 (2019: HK$671,000) represents non-trade amounts due from an associate which is repayable on demand.

The following was an aged analysis of trade amounts due from an associate (net of allowance for credit loss) presented based on invoice date at the end of each reporting period, which approximate the respective revenue recognition dates:

	2020 **HK$'000**	2019 HK$'000
1-30 days	**1,233**	913
31-60 days	**1,268**	883
61-90 days	**1,280**	852
Over 90 days	**16,611**	4,758
	20,392	7,406

The amount of HK$14,272,000 (2019: HK$3,089,000) 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 amounts due from an associate over 90 days past due as the Group expects the discounted cash flows is sufficient to recover the contractual cash flows that are due from the trade amount due from an associate. Details of impairment assessment of loan to an associate and amounts due from an associate were set out in note 36.

17. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE/AMOUNTS 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:

	2020 **HK$'000**	2019 HK$'000
Current assets	**25,180**	21,249
Non-current assets	**230,854**	314,324
Current liabilities	**(83,338)**	(77,124)
Non-current liabilities	**(210,658)**	(246,106)
	(37,962)	12,343
Revenue	**76,648**	49,198
Loss and total comprehensive expense for the year	**(53,389)**	(73,180)
Share of loss of an associate	**(16,017)**	(21,954)

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

	2020 **HK$'000**	2019 HK$'000
Net (liabilities) assets of the associate	**(37,962)**	12,343
Proportion of the Group's ownership interest in the associate	**30%**	30%
The Group's share of net (liabilities) assets of the associate	**(11,389)**	3,703
Loss to an associate	**42,003**	39,255
Other adjustment (Note)	**6,944**	7,869
Less: impairment loss recognised	**(7,500)**	(7,500)
Carrying amount of the Group's interest in the associate	**30,058**	43,327

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

	2020 HK$'000	2019 HK$'000
Equity securities listed in Hong Kong		
Financial assets at FVTPL	**459**	686

19. EQUITY INSTRUMENT AT FVTOCI

	2020 HK$'000	2019 HK$'000
Equity instrument at FVTOCI	**–**	–

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. 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, 2020, no dividend is distributed by Richbo (2019: HK$8,000,000) to the Group for recovery of its investment in Richbo.

At 31st December, 2020 and 2019, 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, 2020 and 2019, the management considers that the fair value of the equity instrument is minimal.

20. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Loan receivables	**2,740**	2,840
Less: Allowance for credit loss	**(1,076)**	(865)
	1,664	1,975
Secured loan due within one year and classified under current assets (Note)	**1,664**	–
Unsecured loan due within one year and classified under current assets	**–**	1,975
	1,664	1,975

20. LOAN RECEIVABLES (continued)

Note:

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, an unsecured loan receivable carry fixed-rate interests 12% per annum. As at 31st December, 2020, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK$2,400,000 which carries fixed-rate interests at 12% per annum. On 26th February, 2021, the borrower of secured loan has extended the repayment date to 26th August, 2021.

In addition, as at 31st December, 2020, included in the Group's loan receivable balance is a debtor with carrying amount of HK$336,000 (2019: HK$336,000) which is past due as at the reporting date for more 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.

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

	2020 **HK$'000**	2019 HK$'000
Within one year	–	2,500
Repayable on demand	**2,740**	340

As at 31st December, 2020, included in the carrying amount of loan receivables is allowance for credit loss of HK$1,076,000 (2019: HK$865,000). Details of impairment assessment of loan receivables are set out in note 36.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 **HK$'000**	2019 HK$'000
Trade receivables	**41,093**	51,200
Less: Allowance for credit loss	**(126)**	(863)
	40,967	50,337
Other receivables	**1,161**	1,004
Deposits and prepayments	**5,687**	3,612
Rental deposits	**16,695**	15,422
	64,510	70,375
Less: Rental deposits shown under non-current assets	**(16,613)**	(14,901)
	47,897	55,474

As at 1st January, 2019, trade receivables from contracts with customers amounted to HK$67,929,000.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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.

	2020 HK$'000	2019 HK$'000
0 to 30 days	**15,528**	20,897
31 to 60 days	**9,723**	17,413
61 to 90 days	**7,775**	6,468
91 to 120 days	**2,001**	2,477
More than 120 days	**5,940**	3,082
	40,967	50,337

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, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$26,481,000 (2019: HK$31,215,000) which are past due at the reporting date. Out of the past due balances, HK$19,000 (2019: HK$3,294,000) 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$689,000 (2019: HK$756,000) from deposits in banks 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, and deposits are set out in note 36.

22. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.06% (2019: 1%) 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

	2020 HK$'000	2019 HK$'000
Trade payables	**6,451**	10,911
Accrued staff costs	**4,760**	4,920
Bond interest payable	**2,992**	2,992
Provision for an onerous contract (Note)	**1,622**	–
Other payables and accrued charges	**4,107**	4,386
	19,932	23,209

Note: The provision was made for an onerous for a cold storage related company during the year ended 31st December, 2020. Under this contract, the unavoidable costs of meeting the obligations have exceeded the economic benefit expected to be derived from the service income generated by the Company. The provision for the onerous contract was recognised in "Cost of revenue".

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**4,495**	2,271
31 to 60 days	**1,776**	889
61 to 90 days	**110**	6,953
91 to 120 days	**17**	470
More than 120 days	**53**	328
	6,451	10,911

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

24. CONTRACT LIABILITIES

	2020 **HK$'000**	2019 HK$'000
Cold storage services	**4,865**	4,894

As at 1st January, 2019, contract liabilities amounted to HK$7,530,000.

Contract liabilities represent 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, 2020, revenue recognised that was included in the contract liability balances at the beginning of the year amounted to HK$4,894,000 (2019: HK$7,530,000).

25. BANK BORROWING

	2020 **HK$'000**	2019 HK$'000
Fixed-rate unsecured bank borrowing	**35,000**	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	**35,000**	65,000

The Group is required to comply with certain restrictive non-financial covenants and undertaking requirements. The directors of the Company had reviewed all required covenant requirements of the Group and no breach of covenants noted for both years.

The borrowing is originated to be payable in full on 23rd April, 2021. The effective interest rate (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowing is 5% (2019: 7%) per annum. On 12th January, 2021, the Group had entered into a supplemental loan agreement with the bank in which the borrowing would be extended to 23rd April, 2023 with a fixed interest rate of 5% per annum and the repayable on demand clause has been removed.

26. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**68,022**	63,475
Within a period more than one year but not exceeding two years	**62,406**	67,899
Within a period more than two years but not exceeding five years	**75,563**	137,536
	205,991	268,910
Less: Amount due for settlement within twelve months shown under current liabilities	**(68,022)**	(63,475)
Amount due for settlement after twelve months shown under non-current liabilities	**137,969**	205,435

The weighted average incremental borrowing rate applied to lease liabilities is 4.63% (2019: 4.63%).

27. 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, 2019	97	(97)	–
Credited (charged) to profit or loss	382	(382)	–
At 31st December, 2019	479	(479)	–
(Charged) credited to profit or loss	(16)	16	–
At 31st December, 2020	463	(463)	–

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$153,643,000 (2019: HK$205,224,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,803,000 (2019: HK$2,903,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$150,840,000 (2019: HK$202,321,000) due to the unpredictability of future profit streams. During the year ended 31st December, 2020, a tax loss of HK$95,832,000 has been excluded due to disposal of a subsidiary. As at 31st December, 2019, included in unrecognised tax losses are losses of HK$71,698,000 that will expire from 2020 to 2024 (2020: nil). Other losses are carried forward indefinitely.

At the end of the reporting period, the Group has other deductible temporary differences of HK$3,960,000 (2019: HK$1,121,000) 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.

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2019, 31st December, 2019 and 31st December, 2020	60,000,000	600,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1st January, 2019 and 31st December, 2019	2,432,304	24,323
Subscription of new shares (Note)	468,800	4,688
At 31st December, 2020	2,901,104	29,011

Note: On 23rd October, 2020, the Company entered into a conditional subscription agreement with an independent third party, Great Virtue Holding Limited (the "Subscriber"), a company incorporated in the British Virgin Islands with limited liability, whereby the subscriber agreed to subscribe for 468,800,000 new shares of the Company at a subscription price of HK$0.0248 per share for an aggregate cash consideration of HK$11,626,000 (the "Subscription"). The Subscription was completed on 6th November, 2020.

29. DERIVATIVE FINANCIAL INSTRUMENTS

On 6th September, 2018 and 29th October, 2018, the Group entered into an agreement and a supplemental agreement (collectively referred to as 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 JV Agreement, the Group grants two put options to the investor who invests 60% of the shareholding 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 loan advanced to Loving Peace and its subsidiaries, namely BCCS, and outstanding from time to time pursuant to the JV Agreement dated 6th September, 2018 (Clause 3.2) (the "Shareholder Loan"), at the exercise price determined in the JV Agreement (the "First Put Option"). The First Put Option shall be exercisable by Investor A (subject to its fulfillment of its obligation under the JV Agreement and management service 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 was 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 exercise 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 up to US$33,000,000 in accordance with the JV Agreement, plus any approved additional investments with an annual return of 15% and (ii) the fair value of the equity in Loving Peace and the Shareholder Loan.

29. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(2) The Group grants to Investor A an option whereby Investor A has the right to require the Group to purchase from Investor A all or part of its Relevant Shares and Shareholder Loan, at the exercise price determined in the JV 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 JV Agreement, irrespective of whether the Group is able to meet the KPIs.

Under the Second Put Option, the exercise 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 JV Agreement).

In determining the fair value of the options, the board of directors of the Company has delegated the management of the Group to determine the appropriate valuation techniques and inputs for fair value measurements.

The Group engages third party qualified external valuers to perform the valuation. The management 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 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 considers, after seeking legal advice, 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, 2020 and 2019 is insignificant. The Group has not recognised any fair value of the First Put Option in the consolidated financial statements.

The major input of the fair value measurement for the Second Put Option is the expected cash flow forecast and the timing of the cash flow forecast that will exceed the exercise price. As at 31st December, 2020, the amount injected by Investor A has been confirmed as investment amount as stipulated in the relevant agreement by the respective investor. The management, after seeking legal advice, considers that the Shareholder Loan is nil as at 31st December, 2020.

The fair value of the Second Put Option as at 31st December, 2020 amounted to approximately US$232,000 (equivalent to HK$1,800,000) (2019: US$864,000 (equivalent to HK$6,725,000)). The fair value was calculated using Binomial Model and the inputs into the model were as follows:

	2020	2019
Underlying asset value based on the cash flow forecast (Investor A's interest in Loving Peace)	**US$967,000**	US$8,139,000
Exercise price	**Outstanding amount of the shareholder loan and US$1,000,000**	Outstanding amount of the shareholder loan and US$1,000,000
Risk free rate	**0.1%**	1.68%
Volatility	**34.29%**	35.78%
Dividend yield	**0%**	0%

30. 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. The aggregate principal amount of HK$100,000,000 were issued in the year ended 31st December, 2015 and 31st December, 2014 with 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.

Bond with principal amount of HK$40,000,000 will mature within twelve months from the balance sheet date accordingly, classified as current.

At the end of the reporting period, interest on bonds payable at par value of HK$100,000,000 (2019: HK$100,000,000) is payable annually and the principal is repayable in full upon maturity.

31. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2015 Scheme") on 2nd June, 2015 (the "Adoption Date"), 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: 290,110,400 (2019: 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-months 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.

31. 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 5 years (2019: 6 years) (expiring on 1st June, 2025).

Since the Adoption Date and up to 31st December, 2020, no share options have been granted pursuant to the 2015 Scheme.

32. 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$3,918,000 (2019: HK$4,625,000) 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.

33. PLEDGE OF ASSETS

As at 31st December, 2020, bank facilities for providing guarantees by a bank in favour of the Group’s licence of operating cold storage service, to the extent of HK$3,500,000 (2019: HK$3,500,000) are secured by bank deposits amounting to HK$3,500,000 (2019: HK$3,500,000). The amount utilised as at 31st December, 2020 was approximately HK$1,410,000 (2019: HK$3,480,000).

As at 31st December, 2020, bank deposits amounting to of HK$64,285,000 (2019: HK$62,068,000) are pledged to a bank, as bank guarantee issued in favour of one (2019: one) landlord for a sum equivalent to 12 months’ rent payable by the Group under tenancy agreements.

The pledged deposits bear fixed interest rate of 1.2% (2019: 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 is insignificant and, accordingly, no allowance for credit losses is provided.

34. DISPOSAL OF A SUBSIDIARY

On 29th December, 2020, the Group entered into a sale agreement with an independent third party, to dispose of its entire interest in a wholly-owned subsidiary, Sanson Investments Limited and its subsidiaries, 同瞬貿易(上海)有限公司 and 華草居保健食品(上海)有限公司, at a consideration of HK$1. The net assets of the subsidiary, at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	HK$'000
Trade and other receivables, deposits and prepayments	763
Bank balances and cash	167
Trade and other payables	(705)
Net assets disposed of	225

Loss on disposal of a subsidiary:

Consideration received	– *
Net assets disposed of	(225)
Reclassification of cumulative translation reserve upon disposal of a subsidiary to profit or loss	(1,228)
Loss on disposal	(1,453)

Net cash outflow arising on disposal:

	HK$'000
Cash consideration	– *
Less: bank balances and cash disposed of	(167)
	(167)

* Less than HK$1,000

35. 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, bonds and lease liabilities disclosed in notes 25, 30 and 26 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital, share premium and reserves.

The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, 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.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets		
Financial assets at FVTPL	**459**	686
Financial assets at FVTOCI	**–**	–
Financial assets at amortised cost	**260,735**	299,604
Financial liabilities		
Derivative financial instruments	**1,800**	6,725
Amortised cost	**148,128**	181,318

(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, amounts due from an associate, pledged bank deposits, loan receivables, bank balances and cash, trade and other payables, lease liabilities, bank borrowing, derivative financial instruments 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.

36. 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 30 for details), lease liabilities (see note 26 for details) and pledged bank deposits (see note 33 for details). The Group is also exposed to cash flow interest rate risk in relation to 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

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, loan to an associate, amounts due from an associate, loan receivables, other receivables, rental deposits paid, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with a loan receivable is mitigated by means of having a painting as collateral as at 31st December, 2020.

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 risk management committee annually.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables 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 17% (2019: 18%) and 59% (2019: 67%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. In order to minimise the credit 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.

Except for trade receivables with significant balances and that are credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's aging of outstanding balances. Reversal of impairment of trade receivables of HK$737,000 (2019: Impairment of HK$357,000) is recognised during the year. As part of the Group's credit risk management, the Group use internal credit rating 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 default rates taking into consideration the historical data and 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.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Loan to an associate and amounts due from an associate

Loan to an associate and amounts due from an associate are assessed for ECL individually. The credit risk of the loan to an associate and amounts due from an associate has increased significantly since initial recognition and the balances are considered as doubtful and assessed under lifetime ECL. The Group regularly monitors the business performance of the associate. The management of the Group has prepared cash flow projections taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows, and estimate the amount of ECL of loan to an associate and amounts due from an associate by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances, which represents the credit risk of the associate. Based on the assessment, no allowance of credit loss has been recognised in respect of the balances during the year.

The Group has concentration of credit risk relating to loan to an associate and amounts due from an associate of HK$62,682,000 (2019: HK$47,332,000).

Loan receivables

Loan receivables is assessed for ECL individually. The credit risk of the loan receivable with gross carrying amount of HK$2,404,000 (2019: HK$2,504,000) has increased significantly since initial recognition and the balance is considered as doubtful and assessed under lifetime ECL. The credit risk of remaining loan receivable with gross carrying amount of HK$336,000 (2019: HK$336,000) is considered as loss because the principal of the loan is overdue over 90 days. The amount is assessed under lifetime ECL.

The management of the Group estimates the amount of ECL of this balance based on the historical observed default rates over the expected life of the balance and are adjusted by forward-looking information and assessed collateral value. Based on the assessment, allowance of credit loss amounting HK$211,000 (2019: HK$16,000) has been recognised in respect of the loan receivables during the year.

For money lending services segment, the Group's loan receivables from two (2019: two) borrowers represent 100% of loan receivables.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Other financial assets

ECL for all other instruments including other receivables 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$67,785,000 (2019: HK$65,568,000).

Details of the quantitative disclosures are set out below in this note.

Impairment assessment

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables (including trade amount due from an associate)	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or 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

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

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 2020 HK$'000**	Gross carrying amount 2019 HK$'000
Trade receivables	1	N/A	Low risk	Lifetime ECL (collective basis)	**15,425**	16,247
			Low risk	Lifetime ECL (individual basis)	**25,668**	34,953
					41,093	51,200
Loan to an associate	2	N/A	Doubtful	Lifetime ECL	**42,003**	39,255
Trade amounts due from an associate	2	N/A	Doubtful	Lifetime ECL	**20,392**	7,406
Non-trade amounts due from an associate	2	N/A	Doubtful	Lifetime ECL	**287**	671
Loan receivables	3	N/A	Doubtful	Lifetime ECL	**2,404**	2,504
			Loss	Lifetime ECL – credit-impaired	**336**	336
					2,740	2,840
Other receivables	5	N/A	Low risk	12m ECL	**1,161**	1,004
Rental deposits paid	5	N/A	Low risk	12m ECL	**16,695**	15,422
Pledged bank deposits	4	A or above	N/A	12m ECL	**67,785**	65,568
Bank balances	4	A or above	N/A	12m ECL	**69,565**	117,753

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes:

1) Trade receivables with significant outstanding balances with gross carrying amount of HK$25,668,000 (2019: HK$34,953,000) as at 31st December, 2020 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, 2020, allowance of credit loss of HK$68,000 (2019: HK$863,000) is provided on these balances based on individual assessment.

The remaining trade receivables of HK$15,425,000 (2019: HK$16,247,000) which consists of a large number of customers which share common risk characteristics are assessed on a collective basis. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis as at 31st December, 2020.

Gross carrying amount

	2020 HK$'000	2019 HK$'000
Current (not past due)	**5,461**	9,742
Past due		
– 1 to 30 days	**6,585**	4,474
– 31 to 60 days	**2,810**	1,167
– 61 to 90 days	**569**	413
– More than 90 days	**–**	451
At 31st December, 2020	**15,425**	16,247

At 31st December, 2020, the Group considered these trade receivables as low risk of default. Allowance of credit loss of HK$58,000 (2019: nil) is provided on these balances based on collective assessment, which is performed by grouping trade receivables based on the group's internal credit rating with reference to trade receivables' aging.

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
At at 1st January, 2019	506
Changes due to financial instruments recognised as at 1st January, 2019:	
– Impairment losses reversed	(506)
New financial assets originated or purchased	863
As at 31st December, 2019	863
Changes due to financial instruments recognised as at 1st January, 2020:	
– Impairment losses reversed	(863)
New financial assets originated or purchased	126
As at 31st December, 2020	126

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes: (continued)

1) (continued)

Changes in the loss allowance for trade receivables are mainly due to:

	2020 Increase/ (decrease) in lifetime ECL Non-Credit impaired HK$'000	2019 Increase/ (decrease) in lifetime ECL Non-Credit impaired HK$'000
Settlement in full of trade debtors with gross amount of HK51,200,000 (2019: HK$67,929,000)	**(863)**	(506)
New trade receivable with gross amount of HK$41,093,000 (2019: HK$51,200,000)	**126**	863

2) Loan to an associate with gross carrying amount of HK$42,003,000 (2019: HK$39,255,000) and amounts due from an associate with gross carrying amount of HK$20,679,000 (2019: HK$8,077,000) were assessed individually.

Loan to an associate and amounts due from an associate is assessed for ECL individually. Loan to an associate and amounts due from an associate are considered as doubtful and assessed for ECL under lifetime ECL model individually as the credit risk of the loan to and amounts due from an associate have increased significantly since initial recognition and the evidence for ECL assessment at individual level is available. The management of the Group has prepared cash flow projections taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows, and estimate the amount of ECL of loan to an associate is calculated by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances, which represents the credit risk of the associate.

As at 31st December, 2020, the directors of the Company considered that the ECL of loan to and amounts due from an associate of the Group is insignificant as at 31st December, 2020 and 2019.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes: (continued)

3) As at 31st December, 2020, loan receivables with gross carrying amount of HK$2,740,000 (2019: HK$2,840,000) was assessed individually, of which HK$2,404,000 (2019:HK$2,504,000) was considered as doubtful because loan principal was extended at due date. There have been significant increase in credit risk since initial recognition but it is not credit-impaired. The Group reassesses lifetime ECL for the loan receivable. Credit loss allowance of HK$211,000 (2019: HK$15,000) was provided for the loan receivable after considering internal credit ratings of those loans, ageing, repayment notary and/or past due status of the loan, collateral value and forward-looking information at the end of the reporting period. Loan receivable with gross carrying amount of HK$336,000 (2019: HK$336,000) was considered as loss because the amount is unsecured, interest and principal were overdue over 90 days. Credit loss allowance of nil (2019: HK$1,000) was provided for this receivable as there is evidence indicating that the receivable is credit-impaired.

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
At at 1st January, 2019	514	335	849
Changes due to financial instruments recognised as at 1st January, 2019:			
– Impairment losses recognised	15	1	16
As at 31st December, 2019	529	336	865
Changes due to financial instruments recognised as at 1st January, 2020:			
– Impairment losses recognised	211	–	211
As at 31st December, 2020	740	336	1,076

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 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 directors of the Company considered that the ECL of the other financial assets of the Group is insignificant as at 31st December, 2020 and 2019.

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

As at 31st December, 2020, the Group has recorded a loss for the year of HK$40,584,000 and net current liabilities of HK$28,780,000. Details of the going concern basis is disclosed in note 3.1.

Ultimate responsibility for liquidity risk management rests with the 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 and 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
2020							
Non-derivative financial liabilities							
Non-interest bearing	–	10,136	–	–	–	10,136	10,136
Lease liabilities	4.63	37,920	37,758	67,471	77,764	220,913	205,991
Bank borrowing	5	35,000	–	–	–	35,000	35,000
Bonds	6	3,600	42,400	63,600	–	109,600	102,992
		86,656	80,158	131,071	77,764	375,649	354,119
Derivative financial instruments		–	1,800	–	–	1,800	1,800

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	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	–	13,326	–	–	–	13,326	13,326
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
		119,186	39,707	121,971	209,044	489,908	450,228
Derivative financial instruments		–	–	6,725	–	6,725	6,725

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, 2020, the carrying amount of this bank borrowing amounted to HK$35,000,000 (2019: HK$65,000,000).

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:

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments					
	Weighted average effective interest rate %	**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, 2020	5	35,575	–	–	35,575	35,000
31st December, 2019	7	66,496	–	–	66,496	65,000

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group have engaged an independent professional qualified valuer to determine the appropriate valuation techniques and inputs for fair value measurements. The management of the Group reports the findings to the directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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
2020			
Financial assets at FVTPL			
Held for trading listed equity securities (Note 1)	**459**	**–**	**459**
Equity instrument at FVTOCI			
Unlisted equity instrument (Note 3)	**–**	**–**	**–**
Financial liabilities			
Derivative financial liability (Note 2)	**–**	**1,800**	**1,800**
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

36. 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 34.29% (2019: 35.78%), 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$140,000 (2019: HK$1,010,000)/decrease the carrying amount of the derivative by HK$140,000 (2019: HK$993,000).

   A 3% increase/decrease in the discount rate holding all other variables constant would increase the carrying amount of the derivative by HK$5,930,000 (2019: HK$2,588,000)/decrease the carrying amount of the derivative by HK$1,760,000 (2019: HK$2,453,000).

3) Since Richbo remains inactive and has insignificant amount of net asset value as at 1st January, 2019, 31st December, 2019 and 2020, the management considers that the fair value of the equity instrument is minimal.

There were no transfers among Levels 1, 2 and 3 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, 2019	–	6,478	6,478
Change in fair value	–	247	247
At 31st December, 2019	–	6,725	6,725
Change in fair value	–	(4,925)	(4,925)
At 31st December, 2020	–	1,800	1,800

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.

37. 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.

	Bank borrowing HK$'000	Lease liabilities HK$'000	Bond interest payable HK$'000	Total HK$'000
As at 1st January, 2019	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
Financing cash flows:				
Interest paid	(2,158)	(11,093)	(6,000)	(19,251)
Repayments of lease liabilities	–	(63,034)	–	(63,034)
Repayment of bank borrowing	(30,000)	–	–	(30,000)
Non-cash transactions:				
Interest expenses	2,158	11,093	6,000	19,251
New lease entered	–	743	–	743
Dercognition of lease liabilities	–	(779)	–	(779)
Exchange adjustments	–	151	–	151
As at 31st December, 2020	35,000	205,991	2,992	243,983

38. RELATED PARTY TRANSACTIONS

During the year ended 31st December, 2020, 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, 2020, consulting fee expense of nil (2019: 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 the subsidiary a monthly management fee, based on a pre-determined rate of revenue of the associate, for the management services rendered. During the year ended 31st December, 2020, management fee income amounted to HK$11,775,000 (2019: HK$7,406,000) was recognised as revenue in profit or loss.

(3) During the year ended 31st December, 2020, a subsidiary of the Company provided services on usage of machinery to the Group's associate amounted to HK$1,480,000 (2019: nil).

The Group did not enter into any other transaction with its related parties during the year ended 31st December, 2020 and 31st December, 2019.

Balances with related parties and the terms thereof are disclosed in the respective notes to these consolidated financial statements.

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31st December, 2020 and 2019 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	Proportion of ownership interest held by the Company 2020	2019	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 share	**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 services

39. 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 2020	2019	Principal activities
Sanson Investments Limited	Hong Kong	HK$1 Ordinary share	–*	100%	Investment holding
Sky Elegant Development Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
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 registered capital RMB57,103,971 paid-up capital	–*	100%	Inactive
同瞬貿易(廣州)有限公司	PRC#	RMB20,000,000 registered capital RMB20,000,000 paid-up capital	**100%**	100%	Trading of food and beverage

Wholly-foreign owned enterprise

* During the year ended 31st December, 2020, the Group disposed of the equity interest in Sanson Investments Limited, which is the holding company of 同瞬貿易(上海)有限公司 and details are set out in note 34

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.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current Assets		
Investment in a subsidiary	**1**	1
Amounts due from subsidiaries	**139,619**	179,865
	139,620	179,866
Current Assets		
Other receivables, deposits and prepayments	**592**	590
Amounts due from subsidiaries	**69,083**	30,223
Bank balances and cash	**11,563**	29,000
	81,238	59,813
Current Liabilities		
Other payables	**4,466**	4,250
Bonds	**40,000**	–
Amounts due to subsidiaries	**35,242**	35,242
	79,708	39,492
Net Current Assets	**1,530**	20,321
Total Assets Less Current Liabilities	**141,150**	200,187
Capital and Reserves		
Share capital	**29,011**	24,323
Share premium and reserves (Note)	**52,139**	75,864
	81,150	100,187
Non-current Liability		
Bonds	**60,000**	100,000
	141,150	200,187

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

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, 2019	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
Loss and total comprehensive expense for the year	–	–	–	(30,559)	(30,559)
Subscription of new shares	6,938	–	–	–	6,938
Transaction costs attributable to subscription of shares	(104)	–	–	–	(104)
At 31st December, 2020	381,060	39,984	84,239	(453,144)	52,139

41. RECLASSIFICATION OF PRIOR YEAR'S PRESENTATION

Reclassification of certain items have been made to the prior year's consolidated financial statements to enhance comparability with the current year's financial statements. As a result, comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**254,636**	289,615	309,246	275,493	305,651
Loss for the year	**(40,584)**	(67,138)	(37,934)	(35,351)	(12,327)

	As at 31st December,				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**458,535**	585,460	395,481	403,378	442,746
Total liabilities	**(367,620)**	(468,738)	(208,664)	(168,811)	(173,209)
	90,915	116,722	186,817	234,567	269,537
Attributable to:					
Owners of the Company	**87,752**	113,559	181,654	219,644	254,614
Non-controlling interests	**3,163**	3,163	5,163	14,923	14,923
	90,915	116,722	186,817	234,567	269,537