

DAIDO

INTERIM REPORT
中期報告
2021

(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





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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

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.

Hang Seng Bank Limited

Nanyang Commercial Bank, Limited

Standard Chartered Bank

(Hong Kong) Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking

Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301–04, 33/F.

Two Chinachem Exchange Square

338 King's Road

North Point

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS



OVERALL RESULTS

For the six months ended 30 June 2021, the Group's total revenue amounted to approximately HK\$105 million, representing a decrease of about 22%, compared to approximately HK\$135 million from the same period of last year.

During the current interim period, the Group recorded a loss of approximately HK\$39 million compared to the loss of approximately HK\$26 million for the previous corresponding period.

The Board considers that the increase in the loss is primarily attributable to the decline in the Group's turnover and gross profit margin due to the downturn of the macro economy, the operating loss due to the start-up phase of operation of two new online Business to Customer ("B2C") e-commerce platforms in Mainland China and Hong Kong respectively, and the impairment loss recognised on loan to an associate.

REVIEW OF OPERATING SEGMENTS

The Group is mainly engaged in cold storage and related business, trading of food and beverage business, provision of money lending services and investment holding.

Cold storage and logistics

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 COVID-19 pandemic and US-China trade tensions, trading activities through Hong Kong were adversely affected in 2020 and had continued in the first half of year 2021, which in turn dampened the warehousing and logistics sector as a whole. On a related matter, we encountered continuous shipment delay causing a deferral of cold-storage income. Follow the introduction of the government rule of limited dine-in hours and number of customers served at each table, the food and beverage ("F&B") catering operators had severely suffered. The F&B catering operators were facing drastic reduction in dine-in activities therefore they were not ordering as much frozen food as they used to. This had adversely affected the Group's cold-storage turnover from its F&B customers. Thus, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage and logistics (continued)

The Group has noticed the increasing demand for warehouse storage and logistics service during the pandemic from grocery distributors, supermarkets and frozen-food outlets. In response to the increasing market demand, the Group has initiated conversion of two floors of room temperature storage into cold-storage at Kwai Hei Street warehouse. It is estimated that the newly converted cold-storage floors will commence operation in the third quarter of year 2021.

Having said the above, the Group's revenue strategy was partly offset by the increasing operating costs of the cold-storage and logistics business in times of pandemic. The Group had followed the recommended guidelines issued by the Department of Health of the HKSAR government, and had incurred additional costs on warehouse disinfection and the food package of cold stores at higher level, as well as regular body temperature monitoring for all employees working onsite. We will continue to apply these actions to protect our employees and customers.

There was a slight increase of rental cost imposed by our landlords for the warehouse and cold-storage facilities that the Group operated in during the first two quarters of 2021. However, we had encountered challenges to transfer some of the relevant cost increments to our customers amid the weak economic condition.

The Group also operates a bonded warehouse at Kwai Chung for storage of alcohol and tobacco products. Negatively affected by the COVID-19 pandemic and therefore the intermittent shutdown of the boundary in Macau and Mainland China, the demand of these products had continued to decline during the first two quarters of 2020, resulting in a slower inventory turnover that reduced the warehouse's earnings.

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

MANAGEMENT DISCUSSION AND ANALYSIS



REVIEW OF OPERATING SEGMENTS (continued)

Trading of food and beverage products

The Group conducts its trading business of food and beverage products through a growing network of supermarkets, convenient stores and distributors in Mainland China. The Group aims to optimize revenue under this business segment through improvement of internal management, a more diversified business strategy, and competitive pricing.

Due to the pandemic gloom and weaker consumer demand during the review period, stringent cost control measures were implemented to maintain the segment's profitability. The Group ceased certain wholesale channels with lower margins and focused its resources to grow the more profitable ones.

The Group had launched a new B2C business unit with a beverage product named "Attitude Planet" (「態度星球」) in April 2021. It is a brand developed and owned by the Group which mainly produces herbal tea bottled drinks catered to the younger generations. It was operated by riding on our distribution network as well as online and offline distribution channels in Mainland China.

At the same time, a new online B2C e-commerce grocery platform "Urban Mart" (「安品 • 生活」) has been rolled out in Hong Kong, reaching out to mass retail customers and selling daily products such as meat, seafood and drinks sourced from all around the world. Strategically, Urban Mart 「安品 • 生活」 is intended to be a content-driven online platform and has engaged reputable and up-and-coming Key Opinion Leaders ("KOLs") to provide our current and potential customers with interactive life and entertainment information through its online shop (www.myurbanmart.com), celebrity talks and live shows. We believe brand building is crucial at the start-up phase.

Money lending

As a non-core business segment, this segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more profitable segments such as the existing core business segments and potential new business units.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Entering 2021, the Hong Kong economy is on the path to recovery, with the improving global economic conditions and receding local epidemic. For the first half of 2021, real GDP grew by 7.8% as compared against the same period from 2020. However, the economic recovery remained uneven as the spread of more infectious COVID-19 variants in many places of the world continues to cast uncertainty over the global economic outlook, whilst other risk factors such as the China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attentions. Locally, the stabilised epidemic situation and the Consumption Voucher Scheme will help stimulate consumer sentiment and provide the much-needed support to consumption-related sectors.

Although exports of goods were robust and surpassed the peak reached in the same period of 2018, tourism industry remained at a standstill due to the pandemic. Consumption-related activities had improved further in the first two quarters of 2021 but were still notably below their pre-pandemic levels. We expect the global pandemic-driven recession will continue this year, but the Group's cold storage and logistics operations in Hong Kong as well as food and beverage distribution operations in Mainland China are expected to gradually recover.

Cold storage and logistics

With the effective classifications of dining areas over the restaurants (A, B, C, and D areas) and the relief of the social distancing measures under the HKSAR the Prevention and Control of Disease Regulation, the F&B sector is on road to recovery and will utilise more warehousing spaces for food storage.

In addition, the launch of the Consumption Voucher Scheme in August 2021 will help stimulate consumer demand and provide much-needed support to consumption-related sectors. We expect there will be continuously strong demand from food retailers and the grocery sectors for food storage spaces.

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. We had renovated our Kwai Hei Street warehouse and replaced the cooling system with the aims to achieve operational efficiency and to observe environmental protection.

With the vaccination rate in Hong Kong is increasing in view to achieve herd immunity, the Group is expected to emerge from the pandemic-induced recession and is confident our revenue will continue to improve during the second half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS



PROSPECTS (continued)

Trading of food and beverage products

We will continue to conduct internal business restructuring, source quality suppliers and products, replace underperforming products and sales 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 channels.

Moving ahead with the digital age, we aim to turn to e-commerce solutions for reaching out to a larger consumer base in both Mainland China and Hong Kong. Our newly launched B2C “Attitude Planet” (「態度星球」) herbal tea product rides on our distribution network as well as online distribution channels in Mainland China. On the other hand, our online B2C ecommerce grocery platform “Urban Mart” (「安品 • 生活」) is capable of reaching out to mass retail customers.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2021, the Group had cash and bank balances of approximately HK\$45.1 million (31 December 2020: HK\$69.8 million), which was denominated in Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) as to 55% and 45%, respectively. The decrease was mainly due to payment of interest expense on bonds and net cash used in the operation.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to owners of the Company was approximately 110.7% as at 30 June 2021 (31 December 2020: 68.4%). The increase of the gearing ratio was because of the drop of the equity attributable to owners of the Company.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period commencing from 13 November 2014 and ending on 12 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 13 November 2014, 26 January and 23 April 2015. As at 30 June 2021, it is noted that the bonds in an aggregate principal amount of HK\$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31 December 2020. During the current interim period, the maturity date of two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were extended to February 2024. Subsequent to the end of the reporting period, the maturity date of another two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were also extended to November and December 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

As at 30 June 2021, the Group had a bank borrowing of HK\$35 million (31 December 2020: HK\$35 million) denominated in HK\$. The Group's bank borrowing interest rate is at 5% per annum (31 December 2020: 5% per annum) and the maturity of borrowing is up to April 2023 (31 December 2020: April 2021). As at 30 June 2021, the banking facility utilised was HK\$35 million (31 December 2020: HK\$35 million).

During the current interim period, the Group's capital expenditure was mainly financed by internal resources.

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

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

Share capital structure

As at 30 June 2021, the total issued share capital of the Company was HK\$29,011,040 divided into 2,901,104,000 ordinary shares with a par value of HK\$0.01 each, which is the same as those as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW (continued)

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the current interim period, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Charges on assets

As at 30 June 2021, 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\$1.7 million (31 December 2020: HK\$3.5 million) are secured by bank deposits amounting to HK\$1.7 million (31 December 2020: HK\$3.5 million). The amount utilised as at 30 June 2021 was approximately HK\$1.4 million (31 December 2020: HK\$1.4 million).

As at 30 June 2021, bank deposits of approximately HK\$64.3 million (31 December 2020: HK\$64.3 million) are pledged to a bank, which provides bank guarantee in favour of one landlord for rent payable by the Group under tenancy agreements.

In addition, within the Group's lease liabilities of approximately HK\$172 million (31 December 2020: HK\$206 million), approximately HK\$0.5 million (31 December 2020: HK\$0.6 million) were secured by the lessor's charge over the leased assets with carrying value of approximately HK\$0.5 million (31 December 2020: HK\$0.6 million).

Future plans for material investments or capital assets

During the current interim period, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the new beverage product in Mainland China and the online B2C e-commerce grocery platform in the Hong Kong, which is the same as those as at 31 December 2020.

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities (31 December 2020: Nil).



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2021, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 220 and 50 respectively (30 June 2020: approximately 240 Hong Kong employees; 90 Mainland China employees). Total staff related costs for the six months ended 30 June 2021 amounted to approximately HK\$40,881,000 (six months ended 30 June 2020: approximately HK\$39,552,000). 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June	
		2021	2020
		HKS'000	HKS'000
		(unaudited)	(unaudited)
Revenue	3		
– Provision of cold storage and related services		81,914	83,885
– Trading of food and beverage		22,848	51,000
– Interest income from money lending services		144	190
Total revenue		104,906	135,075
Cost of revenue		(97,013)	(120,157)
Gross profit		7,893	14,918
Other income	4	5,343	4,386
Other gains and losses	5	(1,697)	(537)
Selling and distribution expenses		(5,603)	(7,687)
Administrative expenses		(21,092)	(23,239)
Share of loss of an associate		(7,824)	(4,072)
Impairment loss recognised on loan to an associate	13	(7,500)	–
Finance costs	6	(8,306)	(10,199)
Loss before tax		(38,786)	(26,430)
Taxation	7	(204)	–
Loss for the period	8	(38,990)	(26,430)
Other comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		217	627
Total comprehensive expense for the period		(38,773)	(25,803)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(38,990)	(26,430)
Non-controlling interests		–	–
		(38,990)	(26,430)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(38,773)	(25,803)
Non-controlling interests		–	–
		(38,773)	(25,803)
Loss per share	<i>10</i>		
– Basic		(HK1.34 cents)	(HK1.09 cents)
– Diluted		(HK1.34 cents)	(HK1.09 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021



		As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	11	6,228	6,808
Right-of-use assets	12	161,613	195,873
Intangible asset		234	–
Goodwill		68	68
Interest in an associate	13	16,192	30,058
Financial assets at fair value through profit or loss (“FVTPL”)		505	459
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		–	–
Rental deposits paid		15,268	16,613
Pledged bank deposits	21	66,011	67,785
		266,119	317,664
Current Assets			
Inventories		1,858	850
Trade and other receivables, deposits and prepayments	14	49,785	47,897
Amounts due from an associate	13	23,864	20,679
Loan receivables	15	1,664	1,664
Bank balances and cash		45,067	69,781
		122,238	140,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	16	19,588	19,932
Contract liabilities		5,026	4,865
Bank borrowing		-	35,000
Lease liabilities	17	65,300	68,022
Tax payable		-	32
Bonds	18	80,000	40,000
Derivative financial instruments	19	3,594	1,800
		173,508	169,651
Net Current Liabilities		(51,270)	(28,780)
Total Assets Less Current Liabilities		214,849	288,884
Capital and Reserves			
Share capital	20	29,011	29,011
Share premium and reserves		20,672	58,741
Equity attributable to owners of the Company		49,683	87,752
Non-controlling interests		3,163	3,163
		52,846	90,915
Non-current Liabilities			
Bank borrowing		35,000	-
Lease liabilities	17	107,003	137,969
Bonds	18	20,000	60,000
		162,003	197,969
		214,849	288,884

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021



	Attributable to owners of the Company							Non-controlling interests		Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 <i>(Note)</i>	Share option reserve HK\$'000	FVTOCI reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000	
At 1 January 2020 (audited)	24,323	374,226	39,984	-	(102,078)	(1,914)	(220,982)	113,559	3,163	116,722
Loss for the period	-	-	-	-	-	-	(26,430)	(26,430)	-	(26,430)
Other comprehensive income for the period	-	-	-	-	-	627	-	627	-	627
Total comprehensive income (expense) for the period	-	-	-	-	-	627	(26,430)	(25,803)	-	(25,803)
At 30 June 2020 (unaudited)	24,323	374,226	39,984	-	(102,078)	(1,287)	(247,412)	87,756	3,163	90,919
At 1 January 2021 (audited)	29,011	381,060	39,984	-	(102,078)	1,341	(261,566)	87,752	3,163	90,915
Loss for the period	-	-	-	-	-	-	(38,990)	(38,990)	-	(38,990)
Other comprehensive income for the period	-	-	-	-	-	217	-	217	-	217
Total comprehensive income (expense) for the period	-	-	-	-	-	217	(38,990)	(38,773)	-	(38,773)
Equity settled share-based transactions	-	-	-	704	-	-	-	704	-	704
At 30 June 2021 (unaudited)	29,011	381,060	39,984	704	(102,078)	1,558	(300,556)	49,683	3,163	52,846

Note:

On 24 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 18 December 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	16,674	15,247
INVESTING ACTIVITIES		
Interest received	790	1,057
Purchase of property, plant and equipment	(744)	(909)
Additions of intangible asset	(246)	–
Payments for disposal of right-of-use assets	–	(17)
Payments for rental deposits of right-of-use assets	(554)	(897)
Placement of pledged bank deposits	(26)	(2,217)
Withdrawal from pledged bank deposits	1,800	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	1,020	(2,983)
FINANCING ACTIVITIES		
Interest paid	(8,906)	(10,799)
Repayment of bank borrowing	–	(30,000)
Repayments of lease liabilities	(33,719)	(31,045)
NET CASH USED IN FINANCING ACTIVITIES	(42,625)	(71,844)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(24,931)	(59,580)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	69,781	117,966
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	217	627
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	45,067	59,013

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

As at 30 June 2021, the Group has recorded a loss for the period of HK\$38,990,000 and net current liabilities position of HK\$51,270,000. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. Subsequent to the end of the reporting period, the maturity date of two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were extended to November and December 2023. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2021, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months taking into account the bank facilities and internal resources available. The directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2021 (unaudited)			For the six months ended 30 June 2020 (unaudited)		
	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	58,793	–	58,793	54,372	–	54,372
Loading and handling services	2,739	–	2,739	2,179	–	2,179
Logistic and packing services	14,415	–	14,415	21,849	–	21,849
Management income	5,967	–	5,967	5,485	–	5,485
	81,914	–	81,914	83,885	–	83,885
Revenue from trading of food and beverage	–	22,848	22,848	–	51,000	51,000
Total	81,914	22,848	104,762	83,885	51,000	134,885
Geographical markets						
Mainland China	–	22,799	22,799	–	51,000	51,000
Hong Kong	81,914	49	81,963	83,885	–	83,885
Total	81,914	22,848	104,762	83,885	51,000	134,885
Timing of revenue recognition						
A point in time	–	22,848	22,848	–	51,000	51,000
Over time	81,914	–	81,914	83,885	–	83,885
Total	81,914	22,848	104,762	83,885	51,000	134,885

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

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 Mainland China and Hong Kong ("Trading of food and beverage")
3. Money lending services in Hong Kong ("Money lending services")

Segments revenue and results

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

For the six months ended 30 June 2021 (unaudited)

	Cold storage and related services HK\$'000	Trading of food and beverage HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	81,914	22,848	144	104,906
Segment (loss) profit	(24,134)	(4,256)	116	(28,274)
Unallocated income				146
Unallocated expenses				(7,694)
Change in fair value of financial assets at FVTPL				46
Finance costs				(3,010)
Loss before tax				(38,786)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenue and results (continued)

For the six months ended 30 June 2020 (unaudited)

	Cold storage and related services HK\$'000	Trading of food and beverage HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	83,885	51,000	190	135,075
Segment (loss) profit	(13,976)	(2,131)	89	(16,018)
Unallocated income				939
Unallocated expenses				(8,122)
Change in fair value of financial assets at FVTPL				(278)
Finance costs				(2,951)
Loss before tax				(26,430)

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Assets		
Cold storage and related services	271,173	310,721
Trading of food and beverage	32,856	40,129
Money lending services	1,972	2,247
Total segment assets	306,001	353,097
Unallocated assets	82,356	105,438
Consolidated assets	388,357	458,535
Liabilities		
Cold storage and related services	226,228	255,866
Trading of food and beverage	5,146	6,292
Money lending services	50	41
Total segment liabilities	231,424	262,199
Unallocated liabilities	104,087	105,421
Consolidated liabilities	335,511	367,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

4. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Government subsidy	–	1,902
Imputed interest income on loan to an associate	1,458	1,366
Imputed interest income on rental deposits paid	396	367
Income from usage of machinery	1,095	110
Interest income from bank deposits	127	604
Other service income	2,197	–
Sundry income	70	37
	5,343	4,386

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Change in fair value of derivative financial instruments	(1,794)	(259)
Change in fair value of financial assets at FVTPL	46	(278)
Net foreign exchange gain	51	–
	(1,697)	(537)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank borrowing	863	1,295
Interest expense on bonds	3,000	3,000
Interest expense on lease liabilities	4,443	5,904
	8,306	10,199

7. TAXATION

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The People's Republic of China (the "PRC")		
Enterprise Income Tax		
Under provision in prior year	204	—

On 21 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 28 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%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

7. TAXATION (continued)

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

No provision for Hong Kong Profits Tax and PRC Enterprise Income 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 periods.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Amortisation of intangible asset	12	–
Depreciation of property, plant and equipment	1,324	1,717
Depreciation of right-of-use assets	34,359	34,470

9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2020: Nil). The directors of the Company have determined that no dividend will be paid in respect of the current interim period (six months ended 30 June 2020: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

10. LOSS PER SHARE

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

<i>Loss</i>	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share for the period attributable to owners of the Company	(38,990)	(26,430)
<i>Number of shares</i>	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	2,901,104	2,432,304
Effect of dilutive potential ordinary shares:		
– Share options	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	2,901,104	2,432,304

The computation of diluted loss per share does not assume the exercise of certain share options of the Company because the exercise price of those options was higher than the average market price of shares for the six months ended 30 June 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of approximately HK\$744,000 (six months ended 30 June 2020: HK\$909,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

12. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK\$'000	Offices HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At as 31 December 2020				
(audited)				
Carrying amount	193,068	2,196	609	195,873
At as 30 June 2021 (unaudited)				
Carrying amount	159,832	1,253	528	161,613
For the six months ended				
30 June 2020 (unaudited)				
Depreciation charge	(33,293)	(1,052)	(125)	(34,470)
Exchange adjustments	–	(1)	–	(1)
For the six months ended				
30 June 2021 (unaudited)				
Depreciation charge	(33,305)	(973)	(81)	(34,359)
Exchange adjustments	–	13	–	13
Six months ended 30 June				
2021				
2020				
HK\$'000				
HK\$'000				
(unaudited)				
(unaudited)				
Total cash outflow for leases	38,162		36,949	
Additions to right-of-use assets	86		264	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Interest in an associate (<i>Note a</i>):		
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)	(34,579)
Impairment loss recognised	(7,500)	(7,500)
	—	—
Loan to an associate (<i>Note b</i>)	43,461	42,003
Share of post-acquisition losses and other comprehensive expenses	(19,769)	(11,945)
Impairment loss recognised	(7,500)	—
	16,192	30,058
	16,192	30,058
Amounts due from an associate	23,864	20,679

* Less than HK\$1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Notes:

- a. Details of each of the Group's associates as at 30 June 2021 and 31 December 2020 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
		2021	2020	2021	2020	
		%	%	%	%	
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.

- b. At 30 June 2021 and 31 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

13. 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 condensed consolidated financial statements.

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Current assets	31,990	25,180
Non-current assets	183,307	230,854
Current liabilities	(88,588)	(83,338)
Non-current liabilities	(190,751)	(210,658)
	(64,042)	(37,962)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

Summarised financial information of an associate (continued)

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Net liabilities of the associate	(64,042)	(37,962)
Proportion of the Group's ownership interest in the associate	30%	30%
The Group's share of net liabilities of the associate	(19,213)	(11,389)
Loan to an associate	43,461	42,003
Other adjustment	6,944	6,944
Less: Impairment loss recognised	(15,000)	(7,500)
Carrying amount of the Group's interest in the associate	16,192	30,058

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2021, included in trade and other receivables, deposits and prepayments are trade receivables, net of allowance for credit loss, of HK\$40,196,000 (31 December 2020: HK\$40,967,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

14. 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, which approximate the respective revenue recognition dates.

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 – 30 days	18,064	15,528
31 – 60 days	11,845	9,723
61 – 90 days	4,280	7,775
91 – 120 days	2,067	2,001
More than 120 days	3,940	5,940
	40,196	40,967

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.

15. LOAN RECEIVABLES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Loan receivables	2,740	2,740
Less: Allowance for credit loss	(1,076)	(1,076)
	1,664	1,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

15. LOAN RECEIVABLES (continued)

As at 30 June 2021 and 31 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 26 February 2021, the borrower of secured loan has extended the repayment date to 26 August 2021.

16. TRADE AND OTHER PAYABLES

As at 30 June 2021, included in trade and other payables are trade payables of HK\$6,374,000 (31 December 2020: HK\$6,451,000).

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 – 30 days	4,762	4,495
31 – 60 days	1,513	1,776
61 – 90 days	99	110
91 – 120 days	–	17
More than 120 days	–	53
	6,374	6,451

Except for certain creditors who are allowed 7 to 30 days credit period, no credit period is generally allowed by creditors and no interest is charged on trade creditors.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

17. LEASE LIABILITIES

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Lease liabilities payable:		
Within one year	65,300	68,022
Within a period more than one year but not exceeding two years	63,357	62,406
Within a period more than two years but not exceeding five years	43,646	75,563
	172,303	205,991
Less: Amount due for settlement within twelve months shown under current liabilities	(65,300)	(68,022)
Amount due for settlement after twelve months shown under non-current liabilities	107,003	137,969

18. BONDS

The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. As at 31 December 2020, the maturity dates are the seventh anniversary of the dates of issue of the relevant bonds ranging from November 2021 to May 2022. During the current interim period, the maturity date of two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were extended to February 2024.

As at 30 June 2021, bond with principal amount of HK\$80,000,000 (31 December 2020: HK\$40,000,000) will mature within twelve months from the end of the reporting period accordingly, classified as current. Subsequent to the end of the reporting period, the maturity date of another two bonds with total principal amount of HK\$20,000,000 as at 30 June 2021 were also extended to November and December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. DERIVATIVE FINANCIAL INSTRUMENTS

On 6 September 2018 and 29 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 subsidiary, namely BCCS, and outstanding from time to time pursuant to the JV Agreement dated 6 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

- (2) The Group grants to Investor A an option whereby Investor A has the right to require the Group to purchase from Investor A all or part of its Relevant Shares and Shareholder Loan, at the exercise price determined in the 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).

20. SHARE CAPITAL

Authorised		Issued and fully paid	
Number of	Amount	Number of	Amount
shares	Amount	shares	Amount
\$'000	HK\$'000	\$'000	HK\$'000

Ordinary shares of HK\$0.01
each:

At 31 December 2020 (audited)				
and 30 June 2021 (unaudited)	60,000,000	600,000	2,901,104	29,011

21. PLEDGE OF ASSETS

As at 30 June 2021, 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\$1,700,000 (31 December 2020: HK\$3,500,000) are secured by bank deposits amounting to HK\$1,700,000 (31 December 2020: HK\$3,500,000). The amount utilised as at 30 June 2021 was approximately HK\$1,410,000 (31 December 2020: HK\$1,410,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

21. PLEDGE OF ASSETS (continued)

As at 30 June 2021, bank deposits amounting to of HK\$64,311,000 (31 December 2020: HK\$64,285,000) are pledged to a bank, as bank guarantee issued in favour of one (31 December 2020: one) landlord for rent payable by the Group under tenancy agreements.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used), 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.

- 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.

		As at	As at
		30 June	31 December
Fair value hierarchy		2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(audited)
<i>Financial assets at FVTPL</i>			
Held for trading listed equity securities (Note 1)	Level 1	505	459
<i>Equity instrument at FVTOCI</i>			
Unlisted equity instrument (Note 2)	Level 3	–	–
<i>Financial liabilities</i>			
Derivative financial liability (Note 3)	Level 3	3,594	1,800

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Notes:

- The fair value of listed equity securities is determined with reference to quoted market bid prices from the Stock Exchange.
- Since the underlying company remains inactive and has insignificant amount of net asset value as at 30 June 2021 and 31 December 2020, the management considers that the fair value of the equity instrument is minimal.
- The fair value of derivative financial instrument was calculated using Binomial Model. The significant unobservable input mainly include expected volatility of 34.80% (31 December 2020: 34.29%), taking account into volatility of other comparable listed companies. 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\$54,000 (31 December 2020: HK\$140,000)/decrease the carrying amount of the derivative by HK\$54,000 (31 December 2020: HK\$140,000).

A 3% increase/decrease in the discount rate holding all other variables constant would increase the carrying amount of the derivative by HK\$4,121,000 (31 December 2020: HK\$5,930,000)/decrease the carrying amount of the derivative by HK\$3,548,000 (31 December 2020: HK\$1,760,000).

There were no transfers among Levels 1, 2 and 3 during the periods.

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI HK\$'000	Derivative financial instruments HK\$'000	Total HK\$'000
At 31 December 2020 (Audited)	–	1,800	1,800
Change in fair value	–	1,794	1,794
At 30 June 2021 (Unaudited)	–	3,594	3,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS

During the current interim period, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2021	2020
	HKS'000	HKS'000
	(unaudited)	(unaudited)
An associate		
Management fee income	5,967	5,485
Income from usage of machinery	1,095	110
Related companies		
A company controlled by a close family member of a director of the Company (<i>Note 1</i>):		
Service fee paid to	380	—
A company controlled by a close family member of a substantial shareholder of the Company (<i>Note 2</i>):		
Service fee paid to	698	—

Notes:

1. A director of the Company, namely Mr. Fung Pak Kei.
2. A substantial shareholder of the Company, namely Mr. William Waileung Kong.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

23. RELATED PARTY TRANSACTIONS (continued)

Key management compensation (including directors' emoluments)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees	558	552
Other emoluments		
– Salaries and other benefits	2,769	3,044
– Contributions to retirement benefits schemes	89	112
Share-based payment expense	352	–
Total emoluments	3,768	3,708

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30 June 2021, save as disclosed below, none of the Company's Directors or chief executives of the Company nor their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to notify the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Long positions in the shares and underlying shares of the Company:

Name of Director	Capacity/nature of interest	Number of shares held <i>(Note 1)</i>	Number of share options held <i>(Note 2)</i>	Total interests	Approximate percentage of total issued share capital <i>(Note 3)</i>
Fung Pak Kei	Interest of controlled corporation and beneficial owner	202,323,133	29,011,040	231,334,173	7.97%
Ho Hon Chung, Ivan	Interest of controlled corporation and beneficial owner	202,323,133	29,011,040	231,334,173	7.97%

Notes:

1. Ever Achieve Enterprises Limited ("Ever Achieve") is 100% owned by Fung Pak Kei and Ho Hon Chung, Ivan, through their wholly-owned companies, in equal shares. Therefore, Fung Pak Kei and Ho Hon Chung, Ivan are deemed to be interested in all the shares of the Company held by Ever Achieve under provisions of SFO.
2. Details of share options held by the Directors stated in the following section "Share option scheme".
3. The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2021 which was 2,901,104,000.

OTHER INFORMATION

DISCLOSURE OF INTERESTS (continued)

Interests of Directors (continued)

Interest in the shares of associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity/nature of interest	Number of shares held	Percentage of total issued share capital
Fung Pak Kei ^(Note)	Loving Peace International Limited	Interest of controlled corporation	20	10%

Note:

Loving Peace International Limited (“Loving Peace”) is a company incorporated in the British Virgin Islands with limited liability and is owned as to 30% by the Group and as to 10% 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.



DISCLOSURE OF INTERESTS (continued)

Share option scheme

The share option scheme of the Company (the “Share Option Scheme”) was adopted on 2 June 2015. It shall be valid and effective for a period of ten years commencing from 2 June 2015 and will expire on 1 June 2025. On 30 April 2021, the Board has resolved to grant to certain eligible participants (the “Grantees”), subject to acceptance by such Grantees and the rules of the Share Option Scheme, a total of 116,044,160 share options to subscribe for a total number of 116,044,160 ordinary shares of HK\$0.039 each of the Company (the “Share(s)”) in the share capital of the Company under the Share Option Scheme. The details of the movements of the Company’s share options under the Share Option Scheme during the six months ended 30 June 2021 (“the Period”) are as follows:

Grantees	Date of grant (the “Grant Date”)	Exercise price per Share HK\$	Closing price		Number of share options					
			Immediately before the Grant Date HK\$	Exercise period	As at 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 June 2021
Directors and Chief Executive										
Fung Pak Kei	30 April 2021	0.039	0.039	1 January 2022 to 29 April 2031	0	29,011,040	0	0	0	29,011,040
Ho Hon Chung, Ivan	30 April 2021	0.039	0.039	1 January 2022 to 29 April 2031	0	29,011,040	0	0	0	29,011,040
Others										
Employees	30 April 2021	0.039	0.039	1 January 2022 to 29 April 2031	0	58,022,080	0	0	0	58,022,080
Total					0	116,044,160	0	0	0	116,044,160

Apart from the aforesaid Share Option Scheme, at no time during the Period and up to the date of this report the Company or any associated corporation was a party to any arrangement 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 none of the Directors, or their spouses or children under the age 18, had any right to subscribe for the shares in, or debentures of, the Company, or had exercised any such rights.

DISCLOSURE OF INTERESTS (continued)

Interests of substantial shareholders

As at 30 June 2021, save as disclosed below, so far as is known to the Company's Directors and chief executives of the Company, no person (other than the Company's Director or a chief executive of the Company) had an interest or short position in any shares or underlying shares of the Company which will fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO and no person (other than the Company's Director or a chief executive of the Company), had an interest or short position in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

Long positions in the shares of the Company:

Name of shareholder	Capacity/nature of interest	Number of shares held		Approximate percentage of total issued share capital (Note 3)
		Direct interest	Indirect interest	
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 ^(Note 2)	Beneficial owner	202,323,133	–	6.97%
Grand Legacy Holdings Limited ^(Note 2)	Interest of controlled corporation	–	202,323,133	6.97%
Premium Access Holdings Limited ^(Note 2)	Interest of controlled corporation	–	202,323,133	6.97%



DISCLOSURE OF INTERESTS (continued)

Interests of substantial shareholders (continued)

Notes:

1. The entire issued share capital of Great Virtue Holding Limited (“Great Virtue”) is beneficially owned by Mr. William Waileung Kong, and therefore, Mr. William Waileung Kong is deemed to be interested in the same number of shares of the Company in which Great Virtue is interested under provisions of SFO.
2. The shares were held by Ever Achieve Enterprises Limited (“Ever Achieve”). Each of Grand Legacy Holdings Limited and Premium Access Holdings Limited owned as to 50% of Ever Achieve and, therefore, they are deemed to be interested in 202,323,133 shares held by Ever Achieve.

The entire issued share capital of Grand Legacy Holdings Limited is beneficially owned by Mr. Ho Hon Chung, Ivan, an Executive Director of the Company.

The entire issued share capital of Premium Access Holdings Limited is beneficially owned by Mr. Fung Pak Kei, an Executive Director of the Company.

3. The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2021 which was 2,901,104,000.

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 Period.

Under a joint venture agreement dated 6 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.

Brilliant Cold Chain Solutions Limited (“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 6 September 2018 and 29 October 2018, and the circular of Company dated 31 October 2018 for further details.



OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESS (continued)

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 Period and up to the date of this report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Company did not have any discloseable non-exempted connected transactions or non-exempted continuing connected transactions under the Listing Rules during the Period and up to the date of this report. The "Related Party Transactions" as disclosed in note 23 to the Condensed Consolidated Interim Financial Statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company have complied with the disclosure requirements of Chapters 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

OTHER INFORMATION



CORPORATE GOVERNANCE

Code on corporate governance practices

For the first half of 2021, the Board is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the “CG Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), save for the exceptions specified and explained below:

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Period, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan (“Mr. Ho”), Mr. Fung Pak Kei (“Mr. Fung”) and Mr. Cheung Hoi Kin (“Mr. Cheung”) acted as Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company respectively. Mr. Ho is responsible for managing the overall corporate management matters; Mr. Fung is responsible for overseeing the administrative and operational functions of businesses and Mr. Cheung is responsible for focusing on corporate financial matters.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and invite for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the Period, the Company did not comply with code provision E.1.2 of the CG Code. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 27 May 2021 (the “AGM”). In absence of chairman of Audit Committee, the Board had invited another member of Audit Committee to attend the AGM.

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.

Risk management and internal control

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the “RM and IC Systems”) of the Group and reviewing its effectiveness through the Audit Committee. The purpose of the RM and IC Systems is designed to manage rather than eliminate risks of failure in operational systems so that the Company’s objective can be achieved, and can only provide reasonable but not absolute assurance against material misstatements or losses.

CORPORATE GOVERNANCE (continued)

Risk management and internal control (continued)

The Group has adopted a series of internal control measures including strengthening of reporting lines of senior management. As a routine procedure and part of the Group's RM and IC Systems, Executive Directors and senior management meet regularly to review the financial and operating performance of the Group's key operating subsidiaries. Senior management of each department is also required to keep Executive Directors informed of significant developments of the department's business as well as implementation of strategies and policies set by the Board on a regular basis.

To further strengthen the RM and IC systems of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Adviser is in the process of carrying out its appraisal for the current fiscal year as of the report date.

During the six months ended 30 June 2021, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year's RM and IC systems appraisal plan. The scope of the current fiscal year's RM and IC systems appraisal plan focuses on reviewing (i) the operating controls of the trading business and related services segment in Mainland China (revenue and receivable cycle; purchase and payable cycle; and human resources cycle); (ii) the compliance risk management control of the Group; (iii) the financial reporting and disclosure control of the Group; and (iv) follow up on the recommendations in the previous year's report.

During the six months ended 30 June 2021, 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. The existing RM and IC Systems are effective and adequate, and the Board will continue to review, strengthen, or update it in response to changes in the operating environment.

By order of the Board
HO HON CHUNG, IVAN
Executive Director

Hong Kong, 30 August 2021