

DAIDO

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

Stock Code 股份代號 : 00544

INTERIM REPORT 中期報告 2022



DAIDO

GROUP LIMITED
大同集團有限公司



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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

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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 (Hong Kong) Limited
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

OVERALL RESULTS

For the six months ended 30 June 2022, the Group's total revenue amounted to approximately HK\$133 million, representing an increase of about 26.7%, compared to approximately HK\$105 million from the corresponding period of last year.

For the six months ended 30 June 2022, the Group recorded a profit of approximately HK\$2.3 million compared to the loss of approximately HK\$39.0 million recorded in the corresponding period of last year, which is equivalent to decrease in loss of 105.9%.

The Board considers that the turnaround from loss to profit in the Group's financial performance is primarily due to the smooth on-going internal business restructuring and successful reallocation of resources to enable the Group to focus its efforts on the core business operating segments.

REVIEW OF OPERATING SEGMENTS

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

Cold storage and logistics

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

The on-going COVID-19 pandemic and US-China trade tensions had caused trading activities through Hong Kong being adversely affected, which in turn dampened the warehousing and logistics sector as a whole. As a result, we encountered continuous shipment delays causing operational inefficiency and deferrals of cold storage income. Throughout the 2021 and first half of 2022, the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") had implemented several social distancing rules such as limited dine-in hours and number of customers served at each table, which resulted in the food and beverage ("F&B") catering operators to suffer severely. F&B catering operators in Hong Kong were facing drastic reduction of dine-in activities therefore their demand for frozen food had been reduced. With this situation continued, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services. With various internal restructuring and resource allocation, the Group aims to focus on its core business with the view to achieve sustainable corporate growth in the long run.

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage and logistics (continued)

During Hong Kong's various COVID-19 waves, the Group has noticed the increasing demand for warehouse storage and logistics service from grocery distributors, supermarkets and frozen-food outlets. In response to the increasing market demand, the Group has initiated extension of temperature-controlled areas at our Kwai Hei Street warehouse. In addition, the commencement of cold storage and logistics business at Tsing Yi in 2021 provided us with one more cold storage warehouse facility in order to dealt with potential increasing demand from our customers in storage volume.

The Group continued to follow the Guidelines on Prevention of COVID-19 for the General Public issued by the Department of Health of Hong Kong Government, and costs were incurred on warehouse disinfection and the food package of cold stores at a 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 considerable increase of rental cost imposed by our landlord for the cold storage warehouse that the Group operated. However, we consider that it would be challenging to transfer some of the relevant cost increments to our customers amid the weak economy in Hong Kong.

The Group also operated a bonded warehouse in Kwai Chung. Negatively affected by the COVID-19 pandemic and the intermittent shutdown of the boundary in Macau and Mainland China, the demand of these products had continued to decline throughout the year, resulting in a slower inventory turnover that in turn reduced the warehouse's earnings. In order to minimise the operational cost, the Group has relocated the storage of alcohol and tobacco products from the original Kwai Chung bonded warehouse to Kwai Hei warehouse at the beginning of year 2022 upon the completion of the relevant bonded warehouse application.

The logistics business that mainly support the Group's warehousing customers has remained stable.

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 optimise revenue under this business segment through improvement of internal management, more diversified business strategy, and competitive pricing.

Due to the COVID-19 pandemic and weaker consumer demand for the past two years, stringent cost control measures were implemented to maintain the segment's profitability. The Group reviews and assesses its existing wholesale channels and had ceased certain distribution channels with lower margins so that it can focus its resources to grow the more profitable ones. The Group continues to source a large variety of local and foreign products and aims to connect the import, export, distribution, re-distribution and provide various kind of related value-added services to strengthen its operations.

Regarding the Business to Customer (“B2C”) business unit with a beverage product named “Attitude Planet” (「態度星球」), it was a brand developed and owned by the Group which mainly produces herbal tea bottled drinks catered to the younger generations. It is operated by leveraging on our existing distribution network as well as online and offline distribution channels in Mainland China. The Group considers the Original Equipment Manufactured beverage a non-core business operation and therefore, in order to react to the COVID-19 pandemic, no significant further allocation of resources had been invested to support this business operation during the first half of 2022.

During the second quarter of 2021, the Group had started an online B2C e-commerce grocery platform called “Urban Mart” (「安品·生活」) in Hong Kong. Urban Mart reaches out to mass retail customers and sells daily products such as meat, seafood and drinks from around the world. Urban Mart 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 the new brand building is crucial at the start-up phase. This year, with the noticeable website traffic results such as the increasing number of clicks and views, we had expanded Urban Mart's sales channel from online to also offline through setting up limited time pop-up stores in various shopping centers in Hong Kong so that we can reach out to more potential new customers.

PROSPECTS

In the past two and a half years, Hong Kong's economy had been suffered from the COVID-19 pandemic and had face the most difficult challenges ever. According to the Census and Statistics Department of the Hong Kong Government, GDP decreased by 1.3% in real terms in the second quarter of 2022 from a year earlier, compared with the decrease of 3.9% in the first quarter. With support from the Hong Kong Government, the economy began to improve by the end of 2022 first half. Economic activities are likely to show further revival and gradually recover in during the second half of the year, but the extent will depend on how the potential resumption of quarantine-free travel with foreign countries may stimulate consumer's spending power and sentiment.

We expect the pandemic-driven recession in Hong Kong and the Mainland China 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 through the continue internal restructuring and reallocation of resources.

Cold storage and logistics

As the core business segment of the Group, we want to stabilise it, and at the same time, look for more opportunities to make it grow even stronger. The Group has foreseen the increasing required standards of cold storage and logistics services in the industry, and with the newly establishment of the Transport and Logistics Bureau of the Hong Kong Government, it is expected the improvement of Hong Kong's transportation and logistics will be well recognised and attract more potential investors around the globe. The Group will continue to actively seek more opportunities from logistics business and expand into a full service provider.

After the renovation in 2021, our Kwai Hei Street warehouse had replaced the cooling system with the aims to achieve operational efficiency and to observe environmental protection. This made us well equipped for the increasing required standard of cold storage and logistics services in the industry. As the COVID-19 pandemic is still ongoing, we will continue flexibly allocate our existing resources and 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.

PROSPECTS (continued)

Trading of food and beverage products

The Group continued to conduct internal business restructuring in Mainland China throughout the 2021 by sourcing quality suppliers and products, replacing underperforming products and sales channels, realigning our retail prices in tandem with market conditions and adjusting our portfolio with the incorporation of higher-margin products. To achieve further cost efficiency, we will continue to explore alternative sales channels (such as online channels) without compromising our operating effectiveness.

To stay abreast with the digital age, we aim to make use of e-commerce solutions for reaching out to larger consumer base in Hong Kong. We believe our newly launched online B2C e-commerce grocery platform “Urban Mart” (「安品・生活」) is capable of reaching out to mass retail customers through increasing number of membership registrations. In addition, we continue to implement online to offline (“O2O”) strategy by sourcing available physical sites for pop-up stores so that our online platform can reach out to more potential customers. We will continue to source international and local products so that we further enhance our customers’ online and offline shopping experience and can fully satisfy their daily shopping needs.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2022, the Group had bank balances and cash of approximately HK\$64.8 million (31 December 2021: HK\$59.9 million), which was denominated in Hong Kong dollars (“HK\$”) and Renminbi (“RMB”) as to 76.0% and 24.0% (31 December 2021: 70.9% and 29.1%), respectively. The increase was mainly due to increase in cash generated from operations.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to owners of the Company was approximately 792.9% as at 30 June 2022 (31 December 2021: 1,175.7%). The decrease of gearing ratio was mainly caused by the reclassification of bank borrowing from non-current borrowings to current borrowings in accordance with the maturity date under the loan agreement.

FINANCIAL REVIEW (continued)

Liquidity and financial resources (continued)

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK\$500 million within the placing period commencing from 13 November 2014 and ending on 12 November 2015. The net proceeds from the issue of the bonds were utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13 November 2014, 26 January and 23 April 2015. The aggregate principal amount of HK\$100 million were issued in the year ended 31 December 2014 and 31 December 2015 with principal amount of HK\$40 million and HK\$60 million, respectively. The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. As at 30 June 2022, the aggregate principal amount of bonds amounted to HK\$100 million which is same as 31 December 2021.

During the current interim period, the Company and the placing agent entered into the deed of amendment for two-year extension with the principal amount of HK\$10 million whereas such bond is classified as current liabilities as at 31 December 2021.

As at 30 June 2022, the Group had a bank borrowing of HK\$35 million (31 December 2021: HK\$35 million) denominated in HK\$. The maturity of borrowing is April 2023 with a fixed interest rate of 5% per annum which is same as 31 December 2021. As at 30 June 2022, the banking facility utilised was HK\$35 million (31 December 2021: 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 bank balances and cash are held mainly in HK\$.

Exposure to fluctuations in exchange rates and related hedges

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

FINANCIAL REVIEW (continued)

Exposure to fluctuations in exchange rates and related hedges (continued)

During the six months ended 30 June 2022, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure

The Company had changed its capital structure in March 2022. As at 30 June 2022, the total issued share capital of the Company was HK\$2,901,104 (31 December 2021: HK\$29,011,040) divided into 290,110,400 ordinary shares (31 December 2021: 2,901,104,000 ordinary shares) with a par value of HK\$0.01 each.

Capital reorganisation

After a review of the capital structure of the Company, the Board had implemented a capital reorganisation (the “2022 Capital Reorganisation”) on 24 March 2022. Capitalised terms used herein shall have the same meaning as defined in the Company’s announcements dated 31 January 2022; 10 February 2022; 8 March 2022 and 22 March 2022 (the “Announcements”) and the Company’s circular dated 25 February 2022 (the “Circular”) unless the context requires otherwise. The 2022 Capital Reorganisation comprises the following:

- (i) every ten (10) issued shares were consolidated into one (1) Consolidated Share (the “2022 Share Consolidation”);
- (ii) following the 2022 Share Consolidation, the issued share capital of the Company was reduced by (a) rounding down the total number of Consolidated Shares to the nearest whole number (if necessary); and (b) cancelling the paid up capital of the Company to the extent of HK\$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK\$0.10 to HK\$0.01 (the “2022 Capital Reduction”); and
- (iii) immediately following the 2022 Capital Reduction, all the credits arising from the 2022 Capital Reduction was transferred to the capital reserve of the Company.

FINANCIAL REVIEW (continued)

Share capital structure (continued)

Capital reorganisation (continued)

In light of the closing prices of the issued shares were below HK\$0.10 in a number of trading days, accordingly, the Company effected the 2022 Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future which the Board considered that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole. For details of the 2022 Capital Reorganisation are set out in the Announcements and the Circular.

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 and joint ventures which is same as the corresponding period of last year.

Charges on assets

As at 30 June 2022, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage services, to the extent of HK\$3.5 million (31 December 2021: HK\$3.5 million) are secured by bank deposits amounting to HK\$1.7 million (31 December 2021: HK\$1.7 million). The amount utilised at 30 June 2022 was approximately HK\$1.4 million (31 December 2021: HK\$1.4 million).

In addition, within the Group's lease liabilities of approximately HK\$117.4 million (31 December 2021: HK\$144.9 million), approximately HK\$0.3 million (31 December 2021: HK\$0.4 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK\$0.3 million (31 December 2021: HK\$0.4 million).

Future plans for material investments or capital assets

As at 30 June 2022, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the online B2C e-commerce grocery platform in Hong Kong as mentioned above.

Contingent liabilities

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2022, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 180 and 40 respectively (30 June 2021: approximately 220 Hong Kong employees; 50 Mainland China employees). Total staff related costs for the six months ended 30 June 2022 amounted to approximately HK\$34,056,000 (six months ended 30 June 2021: approximately HK\$40,881,000). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Group reviews employee remuneration annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, medical insurance, lunch subsidy, professional tuition/training subsidy and share option scheme for employees' benefit.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Revenue	3		
– Provision of cold storage and related services		116,693	81,914
– Trading of food and beverage		16,075	22,848
– Interest income from money lending services		134	144
Total revenue		132,902	104,906
Cost of revenue		(103,579)	(97,013)
Gross profit		29,323	7,893
Other income	4	5,002	5,343
Other gains and losses	5	(89)	(1,697)
Impairment loss recognised on loan to an associate		–	(7,500)
Impairment losses reversed under expected credit loss model		107	–
Selling and distribution expenses		(4,219)	(5,603)
Administrative expenses		(20,518)	(21,092)
Share of loss of an associate		–	(7,824)
Finance costs	6	(7,280)	(8,306)
Profit (Loss) before tax		2,326	(38,786)
Taxation	7	–	(204)
Profit (Loss) for the period	8	2,326	(38,990)
Other comprehensive (expense) income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(676)	217
Total comprehensive income (expense) for the period		1,650	(38,773)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	<i>Notes</i>	Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Profit (Loss) for the period attributable to:			
Owners of the Company		2,326	(38,990)
Non-controlling interests		–	–
		2,326	(38,990)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		1,650	(38,773)
Non-controlling interests		–	–
		1,650	(38,773)
Earnings (Loss) per share			(restated)
– Basic	10	HK0.8 cent	(HK13.4 cents)
– Diluted		HK0.8 cent	(HK13.4 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Non-current Assets			
Property, plant and equipment	<i>11</i>	4,340	4,889
Intangible asset		343	246
Right-of-use assets	<i>12</i>	110,132	137,180
Goodwill		68	68
Equity instrument at fair value through other comprehensive income (“FVTOCI”)		–	–
Rental deposits paid		48,490	47,384
Other deposits paid		6,900	–
Pledged bank deposits	<i>19</i>	1,700	1,700
		171,973	191,467
Current Assets			
Inventories		1,243	2,241
Trade and other receivables, deposits and prepayments	<i>13</i>	56,291	71,065
Loan receivables	<i>14</i>	22	–
Bank balances and cash		64,791	59,919
		122,347	133,225
Current Liabilities			
Trade and other payables	<i>15</i>	17,612	22,213
Contract liabilities		8,516	8,744
Bank borrowing		35,000	–
Lease liabilities	<i>16</i>	71,473	65,943
Bonds	<i>17</i>	–	10,000
		132,601	106,900
Net Current (Liabilities) Assets		(10,254)	26,325
Total Assets Less Current Liabilities		161,719	217,792

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	<i>Notes</i>	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Capital and Reserves			
Share capital	<i>18</i>	2,901	29,011
Share premium and reserves		9,711	(18,379)
Equity attributable to owners of the Company		12,612	10,632
Non-controlling interests		3,163	3,163
		15,775	13,795
Non-current Liabilities			
Bank borrowing		–	35,000
Lease liabilities	<i>16</i>	45,944	78,997
Bonds	<i>17</i>	100,000	90,000
		145,944	203,997
		161,719	217,792

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	FVTOCI reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
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)
Recognition of equity-settled share-based payments	-	-	-	-	704	-	-	704	-	704
At 30 June 2021 (unaudited)	29,011	381,060	39,984	(102,078)	704	1,558	(300,556)	49,683	3,163	52,846
At 1 January 2022 (audited)	29,011	381,060	39,984	(102,078)	2,623	1,868	(341,836)	10,632	3,163	13,795
Profit for the period	-	-	-	-	-	-	2,326	2,326	-	2,326
Other comprehensive expense for the period	-	-	-	-	-	(676)	-	(676)	-	(676)
Total comprehensive (expense) income for the period	-	-	-	-	-	(676)	2,326	1,650	-	1,650
Capital reduction (Note b & Note 18b)	(26,110)	-	26,110	-	-	-	-	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	330	-	-	330	-	330
At 30 June 2022 (unaudited)	2,901	381,060	66,094	(102,078)	2,953	1,192	(339,510)	12,612	3,163	15,775

Notes:

- (a) On 24 November 2009, every five issued and unissued existing shares of HK\$0.01 each in share capital of the Company were consolidated into one consolidated share of HK\$0.05 (the "2009 Share Consolidation"). After the completion of the 2009 Share Consolidation, the par value of each issued consolidated share was 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 "2009 Capital Reduction"). The credit arising in the accounts of the Company from the 2009 Capital Reduction was credited to capital reserve account of the Company on 18 December 2009.
- (b) On 24 March 2022, every ten issued existing shares of HK\$0.01 each in share capital of the Company were consolidated into one consolidated share of HK\$0.10 (the "2022 Share Consolidation"). After the completion of the 2022 Share Consolidation, the par value of each issued consolidated share was reduced from HK\$0.10 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.09 on each issued consolidated share (the "2022 Capital Reduction"). The credit arising in the accounts of the Company from the 2022 Capital Reduction was credited to capital reserve account of the Company on 24 March 2022.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	46,149	16,674
INVESTING ACTIVITIES		
Interest received	–	790
Purchase of property, plant and equipment	(472)	(744)
Purchase of intangible asset	(134)	(246)
Proceeds from disposal of property, plant and equipment	8	–
Payments for rental deposits of right-of-use assets	–	(554)
Refund of rental deposits	2,294	–
Placement of pledged bank deposits	–	(26)
Withdrawal from pledged bank deposits	–	1,800
NET CASH FROM INVESTING ACTIVITIES	1,696	1,020
FINANCING ACTIVITIES		
Interest paid	(7,880)	(8,906)
Repayments of lease liabilities	(34,413)	(33,719)
NET CASH USED IN FINANCING ACTIVITIES	(42,293)	(42,625)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,552	(24,931)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	59,919	69,781
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(680)	217
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	64,791	45,067

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

As at 30 June 2022, the Group has net current liabilities of HK\$10,254,000 mainly due to the reclassification of bank borrowing of HK\$35,000,000 from non-current liabilities to current liabilities. Despite the net current liabilities as at 30 June 2022, the cash and cash equivalents amounted to HK\$64,791,000 on the same day and the Group reported a net profit attributable to owners of the Company of HK\$2,326,000 and recorded net cash from operating activities of HK\$46,149,000 during the six months ended 30 June 2022. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2022, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 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 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 2022

3. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June 2022 (unaudited)			For the six months ended 30 June 2021 (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	103,007	–	103,007	58,793	–	58,793
Loading and handling services	1,712	–	1,712	2,739	–	2,739
Logistic and packing services	11,974	–	11,974	14,415	–	14,415
Management income	–	–	–	5,967	–	5,967
	116,693	–	116,693	81,914	–	81,914
Revenue from trading of food and beverage	–	16,075	16,075	–	22,848	22,848
Total	116,693	16,075	132,768	81,914	22,848	104,762
Geographical markets						
The People's Republic of China ("PRC")	–	15,441	15,441	–	22,799	22,799
Hong Kong	116,693	634	117,327	81,914	49	81,963
Total	116,693	16,075	132,768	81,914	22,848	104,762
Timing of revenue recognition						
A point in time	–	16,075	16,075	–	22,848	22,848
Over time	116,693	–	116,693	81,914	–	81,914
Total	116,693	16,075	132,768	81,914	22,848	104,762

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 the PRC 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 2022 (unaudited)

	Cold storage and related services HK\$'000	Trading of food and beverage HK\$'000	Money lending services HK\$'000	Total HK\$'000
Revenue	116,693	16,075	134	132,902
Segment profit (loss)	17,145	(4,552)	348	12,941
Unallocated income				159
Unallocated expenses				(7,764)
Finance costs				(3,010)
Profit before tax				2,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

3. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenue and results (continued)

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 fair value through profit and loss ("FVTPL")				46
Finance costs				(3,010)
Loss before tax				(38,786)

Segment profit (loss) represents the profit earned by (loss from) 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 2022

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 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Assets		
Cold storage and related services	243,685	259,500
Trading of food and beverage	22,729	31,548
Money lending services	523	166
Total segment assets	266,937	291,214
Unallocated assets	27,383	33,478
Consolidated assets	294,320	324,692
Liabilities		
Cold storage and related services	169,712	197,217
Trading of food and beverage	4,544	7,961
Money lending services	50	41
Total segment liabilities	174,306	205,219
Unallocated liabilities	104,239	105,678
Consolidated liabilities	278,545	310,897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Government subsidy	2,745	–
Imputed interest income on loan to an associate	–	1,458
Imputed interest income on rental deposits paid	1,127	396
Income from usage of machinery and equipment	–	1,095
Interest income from bank deposits	–	127
Other service income	1,026	2,197
Sundry income	104	70
	5,002	5,343

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Change in fair value of derivative financial instruments	–	(1,794)
Change in fair value of financial assets at FVTPL	–	46
Gain on disposal of property, plant and equipment	8	–
Net foreign exchange (loss) gain	(97)	51
	(89)	(1,697)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Interest expense on bank borrowing	863	863
Interest expense on bonds	3,000	3,000
Interest expense on lease liabilities	3,417	4,443
	7,280	8,306

7. TAXATION

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax:		
Under provision in prior year	–	204

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Profit (Loss) for the period has been arrived at after charging (crediting):		
Amortisation of intangible asset	37	12
Depreciation of property, plant and equipment	1,021	1,324
Depreciation of right-of-use assets	33,952	34,359
Impairment loss (reversed) recognised under expected credit loss model		
– loan receivables	(224)	–
– trade receivables	117	–
	(107)	–

9. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2021: 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 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

10. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<i>Profit (Loss)</i>		
Profit (Loss) for the purposes of basic and diluted earnings (loss) per share for the period attributable to owners of the Company	2,326	(38,990)
	'000	'000 (restated)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (<i>Note a</i>)	290,110	290,110
Effect of dilutive potential ordinary shares:		
– Shares issuable from the Company's share options (<i>Note b</i>)	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	290,110	290,110

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

10. EARNINGS (LOSS) PER SHARE (continued)

Notes:

- (a) The weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share for the six months ended 30 June 2022 and 2021 has been adjusted, taking into account the 2022 Share Consolidation (as defined in note 18) has been implemented on 24 March 2022, and assuming the 2022 Share Consolidation has been completed on 1 January 2021.
- (b) The computation of diluted earnings (loss) per share for the six months ended 30 June 2022 and 2021 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market prices for shares. Diluted earnings (loss) per share is same as the basic earnings (loss) per share for the six months ended 30 June 2022 and 2021 as there were no potential ordinary shares in issue for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK\$472,000 (six months ended 30 June 2021: HK\$744,000) and disposed of certain items of property, plant and equipment with nil carrying amount for proceeds of HK\$8,000 (six months ended 30 June 2021: nil), resulting in a gain on disposal of HK\$8,000 (six months ended 30 June 2021: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK\$'000	Offices HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At as 31 December 2021 (audited)				
Carrying amount	136,115	663	402	137,180
At as 30 June 2022 (unaudited)				
Carrying amount	109,672	167	293	110,132
For the six months ended 30 June 2021 (unaudited)				
Depreciation charge	(33,305)	(973)	(81)	(34,359)
Exchange adjustments	–	13	–	13
For the six months ended 30 June 2022 (unaudited)				
Depreciation charge	(33,348)	(495)	(109)	(33,952)
Exchange adjustments	–	(1)	–	(1)
Six months ended 30 June				
	2022		2021	
	HK\$'000		HK\$'000	
	(unaudited)		(unaudited)	
Total cash outflow for leases	37,830		38,162	
Additions to right-of-use assets	6,905		86	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

As at 30 June 2022, included in trade and other receivables, deposits and prepayments are trade receivables, net of allowance for credit loss, of HK\$50,785,000 (31 December 2021: HK\$55,864,000).

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 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	21,244	26,539
31 to 60 days	13,307	15,431
61 to 90 days	5,846	6,882
91 to 120 days	3,024	2,570
More than 120 days	7,364	4,442
	50,785	55,864

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

14. LOAN RECEIVABLES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Loan receivables	2,562	2,764
Less: Allowance for credit loss	(2,540)	(2,764)
	22	–

As at 30 June 2022, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK\$2,200,000 (31 December 2021: HK\$2,400,000) which carries fixed-rate interests at 12% per annum.

15. TRADE AND OTHER PAYABLES

As at 30 June 2022, included in trade and other payables are trade payables of HK\$5,960,000 (31 December 2021: HK\$8,747,000).

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	4,725	5,390
31 to 60 days	1,080	2,353
61 to 90 days	42	848
91 to 120 days	10	41
More than 120 days	103	115
	5,960	8,747

Except for certain creditors who are allowed 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 2022

16. LEASE LIABILITIES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Lease liabilities payable:		
Within one year	71,473	65,943
Within a period more than one year but not exceeding two years	45,944	67,591
Within a period more than two years but not exceeding five years	–	11,406
	117,417	144,940
Less: Amount due for settlement within twelve months shown under current liabilities	(71,473)	(65,943)
Amount due for settlement after twelve months shown under non-current liabilities	45,944	78,997

17. 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 30 June 2022, the maturity dates are the ninth anniversary of the dates of issue of the relevant bonds ranging from November 2023 to May 2024. During the current interim period, the Company and the placing agent entered into the deed of amendment for two-year extension with the principal amount of HK\$10,000,000. Accordingly, principal amount of this bond was classified as non-current liabilities as at 30 June 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

18. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.01 each:				
At 31 December 2021 (audited)	60,000,000	600,000	2,901,104	29,011
Share consolidation (Note a)	–	–	(2,610,994)	–
Capital reduction (Note b)	–	–	–	(26,110)
At 30 June 2022 (unaudited)	60,000,000	600,000	290,110	2,901

Notes:

Pursuant to a special resolution of the Company passed on 22 March 2022, a capital reorganisation (the “2022 Capital Reorganisation”) was approved with effect from 24 March 2022. It comprised the following changes to the capital structure:

- every ten issued existing shares of HK\$0.01 each in share capital of the Company were consolidated into one consolidated share of HK\$0.10 (the “2022 Share Consolidation”); and
- following the 2022 Share Consolidation, the par value of each issued consolidated share was reduced from HK\$0.10 to HK\$0.01 by cancelling the paid up capital of the Company to the extent of HK\$0.09 on each issued consolidated share (the “2022 Capital Reduction”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

19. PLEDGE OF ASSETS

As at 30 June 2022, bank facilities for providing guarantees by a bank in favour of the Group's operation cold storage services, to the extent of HK\$3,500,000 (31 December 2021: HK\$3,500,000) are secured by bank deposits amounting to HK\$1,700,000 (31 December 2021: HK\$1,700,000). The amount utilised at 30 June 2022 was approximately HK\$1,410,000 (31 December 2021: HK\$1,410,000).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements 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		2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(audited)
<i>Equity instrument at FVTOCI</i>			
Unlisted equity instrument	Level 3	—	—
	<i>(Note)</i>		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Note:

Since the underlying company remains inactive and has insignificant amount of net asset value as at 30 June 2022 and 31 December 2021, the management considers that the fair value of the equity instrument is minimal.

There have been no transfers into or out Level 3 during the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI HK\$'000
At 31 December 2021 (audited)	–
Change in fair value	–
At 30 June 2022 (unaudited)	–

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

21. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
An Associate		
Management fee income	–	5,967
Income from usage of machinery and equipment	–	1,095
A related company		
A company controlled by a close family member of a director of the Company (Note):		
Service fee paid to	–	380

Note:

A director of the Company, namely Mr. Fung Pak Kei.

Key management compensation (including directors' emoluments)

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Fees	558	558
Other emoluments		
– Salaries and other benefits	3,024	2,769
– Contributions to retirement benefits schemes	93	89
Equity-settled share-based payments	330	352
Total emoluments	4,005	3,768

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30 June 2022, 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		Total	Approximate percentage of total issued share capital
		shares held	share options held		
		(Note 1)	(Note 2)		(Note 3)
Fung Pak Kei	Interest of controlled corporation and beneficial owner	20,232,313	5,802,208	26,034,521	8.97%
Ho Hon Chung, Ivan	Interest of controlled corporation and beneficial owner	20,232,313	5,802,208	26,034,521	8.97%

Notes:

1. Ever Achieve Enterprises Limited ("Ever Achieve") is 100% owned by Mr. Fung Pak Kei and Mr. Ho Hon Chung, Ivan, through their wholly-owned companies, in equal shares. Therefore, Mr. Fung Pak Kei and Mr. 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 2022 which was 290,110,400.

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme

The share option scheme of the Company (the “Share Option Scheme”) was adopted on 2 June 2015 (the “Adoption Date”). It shall be valid and effective for a period of ten years commencing from 2 June 2015 and will expire on 1 June 2025. In respect of the Share Option Scheme, the board of directors may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares (the “Share(s)”) of the Company, subject to the terms and conditions stipulated therein. The details of the movements of the Company’s share options under the Share Option Scheme during the six months ended 30 June 2022 (“the Period”) are as follows:

Grantees	Date of grant (the “Grant Date”)	Exercise price per Share HK\$	Closing price immediately before the Grant Date HK\$	Exercise period	Granted during the year ended 31 December 2021 and as at 1 January 2022	Number of share options				As at 30 June 2022
						Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	
Directors and Chief Executive										
Fung Pak Kei	30 April 2021	0.39*	0.39*	1 January 2022 to 29 April 2031	2,901,104*	0	0	0	0	2,901,104
	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	0	2,901,104	0	0	0	2,901,104
Ho Hon Chung, Ivan	30 April 2021	0.39*	0.39*	1 January 2022 to 29 April 2031	2,901,104*	0	0	0	0	2,901,104
	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	0	2,901,104	0	0	0	2,901,104
Others										
Employees	30 April 2021	0.39*	0.39*	1 January 2022 to 29 April 2031	5,802,208*	0	0	0	0	5,802,208
	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	0	5,802,208	0	0	0	5,802,208
Total					11,604,416	11,604,416	0	0	0	23,208,832

Notes:

- All Grantees shown in this table and in the table on page 17 of the annual report of the Company for the year ended 31 December 2021 (the “Annual Report”) are employees of the Group working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong).
 - The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
 - A total number of 29,011,040 shares, representing 10% of the issued shares of the Company as at 30 June 2022 and up to the date of this report, are available for issue under the Share Option Scheme. A total of 29,011,040* shares, representing 10% of the issued shares as at 31 December 2021 and up to the date of the Annual Report, were available for issue under the Share Option Scheme.
- * Pursuant to the terms of the Share Option Scheme, the adjustments in relation to the outstanding share options have been made upon the 2022 Capital Reorganisation having become effective on 24 March 2022.

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme (continued)

During the year ended 31 December 2021, share options were granted on 30 April 2021 with an aggregate estimated fair value of approximately HK\$2,623,000. The estimated fair value of the options granted on that date are approximately HK\$704,000 and HK\$1,215,000 for each of directors and other employees respectively.

During the six months ended 30 June 2022, share options were granted on 4 May 2022 with an aggregate estimated fair value of approximately HK\$1,320,000. The estimated fair value of the options granted on that date are approximately HK\$342,000 and HK\$636,000 for each of directors and other employees respectively.

The fair value of share option scheme granted during the relevant periods was estimated as at the date of grant using a Binomial Option-Pricing model taking into account the terms and conditions upon which the share options were granted.

The inputs into the model were as follows:

	Granted on 30 April 2021	Granted on 4 May 2022
Expected volatility	71.63%	72.33%
Expected life	10 years	10 years
Risk-free rate	1.42%	3.08%
Expected dividend yield	0%	0%

The expected volatility was determined by using the historical volatility of the Company's share price. Shareholders are warned to the subjectivity and uncertainty as to the fair values of the share options as the fair values of the options are subject to a number of assumptions and with regard to the limitation of the pricing model.

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme (continued)

Under the existing scheme mandate limit of the Share Option Scheme (as refreshed at the annual general meeting of the Company held on 27 May 2021) as at 30 June 2022 and up to the date of this report, the Company will be able to grant a further of 17,406,624 share options, entitling the holder(s) thereof to subscribe for up to 17,406,624 shares, representing 6% of the issued shares of the Company as at 30 June 2022 and up to the date of this report, at the time.

Reference is made to the Annual Report. Under the scheme mandate limit of the Share Option Scheme (as refreshed at the annual general meeting of the Company held on 27 May 2021) as at 31 December 2021 and up to the date of the Annual Report, the Company would be able to grant 29,011,040 share options as at 31 December 2021, entitling the holder(s) thereof to subscribe for up to 29,011,040 shares, representing 10% of the issued shares of the Company as at 31 December 2021 and up to the date of the Annual Report, at the time.

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.

Interests of substantial shareholders

As at 30 June 2022, 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 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 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.

DISCLOSURE OF INTERESTS (continued)

Interests of substantial shareholders (continued)

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 <small>(Note 3)</small>
		Direct interest	Indirect interest	
Great Virtue Holding Limited <small>(Note 1)</small>	Beneficial owner	46,880,000	–	16.16%
William Waileung Kong <small>(Note 1)</small>	Interest of controlled corporation	–	46,880,000	16.16%
Ever Achieve Enterprises Limited <small>(Note 2)</small>	Beneficial owner	20,232,313	–	6.97%
Grand Legacy Holdings Limited <small>(Note 2)</small>	Interest of controlled corporation	–	20,232,313	6.97%
Premium Access Holdings Limited <small>(Note 2)</small>	Interest of controlled corporation	–	20,232,313	6.97%

Notes:

- 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.
- 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 20,232,313 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.

- The percentages are calculated based on the total number of shares of the Company in issue as at 30 June 2022 which was 290,110,400.

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 21 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 2022.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 23 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 Subscription was completed on 6 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 23 October 2020 and 6 November 2020.

OTHER INFORMATION

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

(continued)

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

Intended application of the net proceeds	Approximate percentage of net proceeds allocated	Approximate amount of net proceeds allocated HK\$'000	Amount utilised as at 30 June 2021 HK\$'000	Amount utilised as at 31 December 2021 HK\$'000
General working capital				
– Working capital and general corporate purposes	69%	7,922	5,834	7,922
– Repayment of interest expense on bonds	31%	3,600	3,600	3,600
Total	100%	11,522	9,434	11,522

Reference is made to the Annual Report of the Company for the year ended 31 December 2021. The Board confirmed that the net proceeds had fully utilised in the year ended 31 December 2021 and there was no material change or delay in the use of the net proceeds.

CORPORATE GOVERNANCE

Code on corporate governance practices

For the first half of 2022, 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:

CORPORATE GOVERNANCE (continued)

Code on corporate governance practices (continued)

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.

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

Model code for securities transactions by Directors

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

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

CORPORATE GOVERNANCE (continued)

Audit Committee

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters including a review of the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 with the Directors. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 June 2022 comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure has been made.

The Audit Committee comprises all three Independent Non-executive Directors, namely Mr. Leung Chi Hung, Mr. Fung Siu Kit, Ronny and Mr. Tse Yuen Ming. Mr. Leung Chi Hung is the chairman of the Audit Committee.

Risk management and internal control

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the “RM and IC Systems”) of the Group and reviewing its effectiveness through the Audit Committee. The purpose of the RM and IC Systems 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.

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.

CORPORATE GOVERNANCE (continued)

Risk management and internal control (continued)

During the six months ended 30 June 2022, 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 operational control of the cold storage and related service segment (property, plant and equipment cycle; and cash management and treasury cycle); (ii) the design of written policies and procedures of the ancillary logistic services (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 year's report.

During the six months ended 30 June 2022, 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.

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

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

- Mr. Leung Chi Hung, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of WT Group Holdings Limited (a company listed on the Stock Exchange) with effect from 31 May 2022.

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

Hong Kong, 30 August 2022