

# DAIDO

(Incorporated in Bermuda and its members' liability is limited)

(在百慕達成立為法團，而其成員的法律責任是有限度的)

Stock Code 股份代號：00544



# DAIDO

GROUP LIMITED  
大同集團有限公司

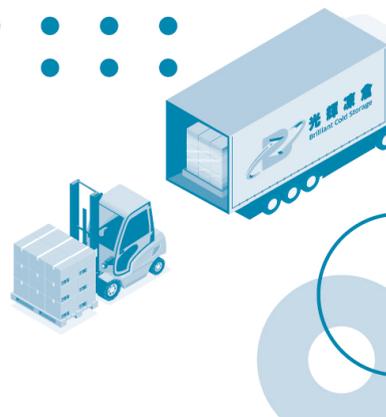


INTERIM REPORT  
中期報告 2023



# CONTENTS

	PAGES
Corporate Information	02
Management Discussion and Analysis	03
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Condensed Consolidated Statement of Financial Position	12
Condensed Consolidated Statement of Changes in Equity	14
Condensed Consolidated Statement of Cash Flows	15
Notes to the Condensed Consolidated Financial Statements	16
Other Information	44



## 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. Leung Chi Hung  
Mr. Lo Chi Wang (appointed on 25 May 2023)  
Mr. Tse Yuen Ming  
Mr. Fung Siu Kit, Ronny  
(resigned on 25 May 2023)

## COMMITTEES

### Audit Committee

Mr. Leung Chi Hung (Chairman)  
Mr. Lo Chi Wang (appointed on 25 May 2023)  
Mr. Tse Yuen Ming  
Mr. Fung Siu Kit, Ronny  
(resigned on 25 May 2023)

### Nomination Committee

Mr. Tse Yuen Ming (Chairman)  
Mr. Leung Chi Hung  
Mr. Lo Chi Wang (appointed on 25 May 2023)  
Mr. Fung Siu Kit, Ronny  
(resigned on 25 May 2023)

### Remuneration Committee

Mr. Lo Chi Wang (Chairman)  
(appointed on 25 May 2023)  
Mr. Leung Chi Hung  
Mr. Tse Yuen Ming  
Mr. Fung Siu Kit, Ronny  
(resigned on 25 May 2023)

## COMPANY SECRETARY

Mr. Cheung Hoi Kin

## STOCK CODE

00544

## WEBSITE

[www.irasia.com/listco/hk/daido/index.htm](http://www.irasia.com/listco/hk/daido/index.htm)  
[www.daidohk.com](http://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

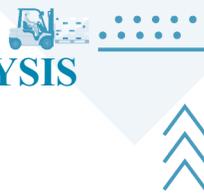
Mazars CPA Limited  
Certified Public Accountants  
42nd Floor, Central Plaza  
18 Harbour Road  
Hong Kong

## 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



# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERALL RESULTS

For the six months ended 30 June 2023, the Group's total revenue amounted to approximately HK\$162 million, representing an increase of about 21.8%, compared to approximately HK\$133 million from the corresponding period of last year.

For the six months ended 30 June 2023, the Group recorded a profit of approximately HK\$21.4 million compared to the profit of approximately HK\$2.3 million recorded in the corresponding period of last year, representing an increase of approximately HK\$19.1 million.

The Board considers that the increase in profit of the Group was primarily attributable to (i) the increase in the revenue from trading and sales of food and beverage business in Mainland China by approximately 178.2% recorded in the six months ended 30 June 2023 as compared to the corresponding period of last year due to implementation of effective sales strategies; (ii) the one-off gain recorded due to the disposal of a subsidiary; and (iii) the decrease by approximately 9.6% in administrative expenses as a result of the Group's cost saving actions.

## REVIEW OF OPERATING SEGMENTS

The Group is mainly engaged in cold storage and related services business, trading and sales 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.

Throughout the first half of 2023, the adverse effect from COVID-19 is fading away with the cancellation of prevention measures imposed by the Government of the Hong Kong Special Administrative Region ("Hong Kong Government"), such as the social distancing rules including limited dine-in hours and number of customers served at each table, and the resumption of quarantine-free travel to Hong Kong, provoking the demand of frozen food from the food and beverage ("F&B") catering. However, the performance of this segment was relatively hysteretic with the positive trend in the "F&B" catering sector. The Group recorded a decline of profit in cold storage and logistics during the current interim period, compared to the corresponding period of last year. With this situation and further recovery of the economy, the management is cautiously optimistic and 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 services from grocery distributors, supermarkets and frozen food outlets. In response to the increasing market demand from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our Kwai Hei Street warehouse. In addition, the commencement of cold storage and logistics business of our Tsing Yi warehouse in the fourth quarter of 2021 provided us with additional cold storage facilities to deal with the increasing demand from our customers in storage volume. During the current interim period, we maintained good relationships and stable storage volume with existing customers while continued to reach out and develop business with operators in these sectors.

The Group continued to referencing the Guidelines on Prevention of COVID-19 for the General Public issued by the Department of Health of Hong Kong Government throughout the first half of 2023, and costs were incurred on warehouse disinfection at a higher level. We will continue to apply these actions to protect our employees and customers.

The rental cost imposed by our landlord for the cold storage warehouse that the Group operated stayed steady, which remains as a key cost item, during the current interim period. We adjusted prices with a higher rate to majority of our customers. However, the storage volume from customers slightly decreased is observed. The management is facing challenges when considering price increment to transfer some of the relevant cost to our customers.

The Group had operated a bonded warehouse in Kwai Hei Street warehouse that carries alcohol and tobacco products. Even with the recovery of the boundary in Mainland China and Macau, the number of cross-boundary drivers is limited, resulting in a slow inventory turnover that in turn remains the warehouse's earnings with the same level before the recovery.

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



## REVIEW OF OPERATING SEGMENTS (continued)

### Trading and sales of food and beverage products

The Group conducts its trading and sales 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 focusing on developing higher margin wholesale channels.

After the COVID-19 pandemic and recovering of consumer demand for the first half of 2023, the Group continuously reviews and assesses its existing wholesale and distribution channels and had ceased certain channels with lower margins, especially the network of supermarkets. Meanwhile, the Group is dedicated to build up the network of convenient stores with various suitable food and beverage items as part of the total sales strategies. A key overseas brand dairy product is re-introduced into a high margin channel. Stringent cost control measures were implemented to maintain the segment's profitability at the same time. The Group recorded a turnaround in profit during the current interim period.

After prudent consideration, the Group ceased the non-core Business to Customer ("B2C") business unit with a beverage product named "Attitude Planet" in Mainland China to re-allocate resources of the Group to higher margin business and core business.

With the lift of prevention measures of COVID-19, the management observed and foresee a weakening demand of online shopping and responded swiftly to phase out the operation of e-commerce grocery platform named "Urban Mart" in Hong Kong.

## PROSPECTS

Hong Kong's economy continued to be suffered from the COVID-19 pandemic and had face the most difficult challenges ever over the past three years. With support from the Hong Kong Government, the resume of economic activities, such as the resumption of quarantine-free travel and re-open of the boundaries, Hong Kong's economy rebounds in 2023, it stimulates consumer's spending power and sentiment. According to the Census and Statistics Department of the Hong Kong Government, GDP increased by 1.5% in real terms in the second quarter of 2023 from a year earlier, compared with the increase of 2.9% in the first quarter.

## **PROSPECTS (continued)**

We expect 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 with the end of pandemic-driven recession in Hong Kong and the Mainland China and fully recovery of the cross-boundary activities.

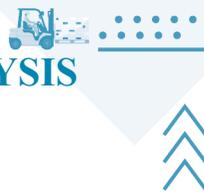
### **Cold storage and logistics**

As the core business unit 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, 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 to a diversified service provider by providing value-added services to our customers so that we can expand our client portfolio.

After the renovation of our Kwai Hei Street warehouse, the replacement of the cooling system is expected to achieve operational efficiency and to observe environmental protection standards. This made us well equipped for the increasing required standard of cold storage and logistics services in the industry. We will continue to flexibly allocate our existing resources and to diversify our customers base by reaching out to more operators of supermarket and frozen food outlets with their need for cold storage facilities continue to stay strong.

### **Trading and sales of food and beverage products**

The Group expect the profit of food and beverage distribution operations in Mainland China would increase with the strategy of developing higher-margin wholesale channels. The Group would continue to replace 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 and wholesale channels. To achieve further profitability, we plan to search for proper high margin foreign products to trade in Mainland China while seeking for suitable products made in Mainland China to trade in Hong Kong.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Liquidity and financial resources

At 30 June 2023, the Group had bank and cash balances of approximately HK\$61.4 million (31 December 2022: HK\$60.4 million), which was denominated in Hong Kong dollars (“HK\$”), Renminbi (“RMB”) and United States dollars (“US\$”) as to 74.7%, 8.9% and 16.4% (31 December 2022: 82.3%, 17.7% and nil), respectively. The slight 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 equity holders of the Company was approximately 131.3% at 30 June 2023 (31 December 2022: 612.4%). The decrease of gearing ratio was mainly caused by the reclassification of bonds payables from non-current borrowings to current borrowings in accordance with the maturity dates.

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. At 30 June 2023, the aggregate principal amount of bonds remaining outstanding was HK\$100 million which is same as 31 December 2022.

At 30 June 2023, bonds with principal amount of HK\$100 million (31 December 2022: HK\$40 million) will mature within twelve months from the end of the reporting period accordingly, classified as current.

At 30 June 2023, the Group had a bank borrowing of HK\$35 million (31 December 2022: HK\$35 million) denominated in HK\$. The maturity of borrowing is April 2025 with a fixed interest rate of 5% per annum which is same as 31 December 2022. At 30 June 2023, the banking facility utilised was HK\$35 million (31 December 2022: HK\$35 million).

## **FINANCIAL REVIEW (continued)**

### **Liquidity and financial resources (continued)**

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 and cash balances are held mainly in HK\$.

### **Exposure to fluctuations in exchange rates and related hedges**

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

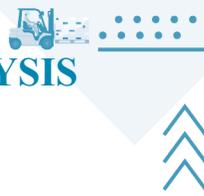
During the current interim period, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

### **Share capital structure**

At 30 June 2023, the total issued share capital of the Company was HK\$2,901,104 (31 December 2022: HK\$2,901,104) divided into 290,110,400 ordinary shares (31 December 2022: 290,110,400 ordinary shares) with a par value of HK\$0.01 each.

### **Material acquisitions and disposals of subsidiaries, associates and joint ventures**

During the current interim period, a non-operating subsidiary was disposed by the Group. Other than above, 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW (continued)

### Charges on assets

At 30 June 2023, 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 2022: HK\$3.5 million) are secured by bank deposits amounting to HK\$1.7 million (31 December 2022: HK\$1.7 million). The amount utilised at 30 June 2023 was approximately HK\$1.4 million (31 December 2022: HK\$1.4 million).

In addition, within the Group's lease liabilities of approximately HK\$48.4 million (31 December 2022: HK\$85.1 million), approximately HK\$0.1 million (31 December 2022: HK\$0.2 million) was secured by a lessor's charge over the leased asset with carrying value of approximately HK\$0.1 million (31 December 2022: HK\$0.2 million).

### Future plans for material investments or capital assets

At 30 June 2023, the Group did not have any concrete future plans for material investments or capital assets.

### Contingent liabilities

At 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: nil).

## EMPLOYMENT AND REMUNERATION POLICY

At 30 June 2023, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 170 and 40 respectively (30 June 2022: approximately 180 Hong Kong employees; 40 Mainland China employees). Total staff related costs for the six months ended 30 June 2023 amounted to approximately HK\$33,967,000 (six months ended 30 June 2022: approximately HK\$34,056,000). 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

SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4		
– Provision of cold storage and related services		118,670	116,693
– Trading and sales of food and beverage		43,093	16,075
– Interest income from money lending services, calculated using effective interest method		131	134
Total revenue		161,894	132,902
Cost of revenue		(127,831)	(103,579)
Gross profit		34,063	29,323
Other income	5	3,974	5,002
Other gains and losses, net	6	12,646	(89)
(Loss allowance) Reversal of loss allowance on trade and other receivables, net		(173)	107
Selling and distribution expenses		(5,085)	(4,219)
Administrative expenses		(18,549)	(20,518)
Finance costs	7	(5,482)	(7,280)
<b>Profit before tax</b>	8	<b>21,394</b>	2,326
Income tax expenses	9	–	–
<b>Profit for the period</b>		<b>21,394</b>	2,326
<b>Other comprehensive expense</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(692)	(676)
<b>Total comprehensive income for the period</b>		<b>20,702</b>	1,650

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SIX MONTHS ENDED 30 JUNE 2023



	<i>Notes</i>	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		11,833	2,326
Non-controlling interests		9,561	–
		<b>21,394</b>	2,326
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		11,141	1,650
Non-controlling interests		9,561	–
		<b>20,702</b>	1,650
<b>Earnings per share attributable to equity holders of the Company</b>			
Basic	11	HK4.08 cents	HK0.80 cent
Diluted		HK4.08 cents	HK0.80 cent

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

		At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	12	3,858	4,164
Intangible assets		278	322
Right-of-use assets	13	44,744	79,464
Goodwill		68	68
Equity instrument at fair value through other comprehensive income ("FVOCI")		–	–
Rental deposits paid		54,905	53,661
Pledged bank deposits	14	1,700	1,700
Other deposit paid		–	6,900
		<b>105,553</b>	146,279
<b>Current assets</b>			
Inventories		1,195	1,043
Trade and other receivables, deposits and prepayments	15	69,144	57,473
Bank and cash balances		61,419	60,411
		<b>131,758</b>	118,927
<b>Current liabilities</b>			
Trade and other payables	16	18,405	17,831
Contract liabilities		8,824	8,619
Lease liabilities	17	47,318	74,058
Bonds payables	18	100,000	40,000
		<b>174,547</b>	140,508
<b>Net current liabilities</b>		<b>(42,789)</b>	(21,581)
<b>Total assets less current liabilities</b>		<b>62,764</b>	124,698

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023



		At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Bank borrowing		35,000	35,000
Lease liabilities	17	1,110	11,022
Bonds payables	18	–	60,000
		<b>36,110</b>	106,022
<b>NET ASSETS</b>		<b>26,654</b>	18,676
<b>Capital and reserves</b>			
Share capital	19	2,901	2,901
Reserves		23,753	12,612
<b>Equity attributable to equity holders of the Company</b>		<b>26,654</b>	15,513
Non-controlling interests		–	3,163
<b>TOTAL EQUITY</b>		<b>26,654</b>	18,676

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SIX MONTHS ENDED 30 JUNE 2023

	Attributable to equity holders of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	FVOCI reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2022 (audited)	29,011	381,060	39,984	1,868	(102,078)	2,623	(341,836)	10,632	3,163	13,795
Profit for the period	-	-	-	-	-	-	2,326	2,326	-	2,326
<b>Other comprehensive expense:</b>										
<i>Item that may be reclassified subsequently to profit or loss</i>										
Exchange differences on translation of foreign operations	-	-	-	(676)	-	-	-	(676)	-	(676)
Total comprehensive (expense) income for the period	-	-	-	(676)	-	-	2,326	1,650	-	1,650
<b>Transactions with equity holders:</b>										
<i>Contributions and distributions</i>										
Recognition of share-based compensation costs (Note 20)	-	-	-	-	-	330	-	330	-	330
2022 Capital Reduction (Note 19)	(26,110)	-	26,110	-	-	-	-	-	-	-
Total transactions with equity holders	(26,110)	-	26,110	-	-	330	-	330	-	330
At 30 June 2022 (unaudited)	2,901	381,060	66,094	1,192	(102,078)	2,953	(339,510)	12,612	3,163	15,775
At 1 January 2023 (audited)	<b>2,901</b>	<b>381,060</b>	<b>66,094</b>	<b>668</b>	<b>(102,078)</b>	<b>3,944</b>	<b>(337,076)</b>	<b>15,513</b>	<b>3,163</b>	<b>18,676</b>
Profit for the period	-	-	-	-	-	-	11,833	11,833	9,561	21,394
<b>Other comprehensive expense:</b>										
<i>Item that may be reclassified subsequently to profit or loss</i>										
Exchange differences on translation of foreign operations	-	-	-	(692)	-	-	-	(692)	-	(692)
Total comprehensive (expense) income for the period	-	-	-	(692)	-	-	11,833	11,141	9,561	20,702
<b>Transactions with equity holders:</b>										
<i>Changes in ownership interests</i>										
Disposal of a non-wholly owned subsidiary	-	-	-	-	102,078	-	(102,078)	-	(12,724)	(12,724)
Total transactions with equity holders	-	-	-	-	102,078	-	(102,078)	-	(12,724)	(12,724)
At 30 June 2023 (unaudited)	<b>2,901</b>	<b>381,060</b>	<b>66,094</b>	<b>(24)</b>	<b>-</b>	<b>3,944</b>	<b>(427,321)</b>	<b>26,654</b>	<b>-</b>	<b>26,654</b>



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

SIX MONTHS ENDED 30 JUNE 2023

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net cash from operating activities</b>	<b>44,824</b>	46,149
<b>INVESTING ACTIVITIES</b>		
Refund of rental deposits of right-of-use assets	–	2,294
Proceeds from disposal of property, plant and equipment	–	8
Interest received	<b>129</b>	–
Additions in property, plant and equipment	<b>(563)</b>	(472)
Additions in intangible assets	–	(134)
<b>Net cash (used in) from investing activities</b>	<b>(434)</b>	1,696
<b>FINANCING ACTIVITIES</b>		
Repayments of lease liabilities	<b>(36,616)</b>	(34,413)
Interest paid	<b>(6,082)</b>	(7,880)
<b>Net cash used in financing activities</b>	<b>(42,698)</b>	(42,293)
<b>Net increase in cash and cash equivalents</b>	<b>1,692</b>	5,552
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>60,411</b>	59,919
Effect on exchange rate changes	<b>(684)</b>	(680)
<b>Cash and cash equivalents at the end of the reporting period, represented by bank and cash balances</b>	<b>61,419</b>	64,791



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 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 (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

At 30 June 2023, the Group has net current liabilities of HK\$42,789,000. Despite the net current liabilities at 30 June 2023, the cash and cash equivalents amounted to HK\$61,419,000 on the same day and the Group reported a net profit attributable to equity holders of the Company of HK\$11,833,000 and recorded net cash from operating activities of HK\$44,824,000 during the six months ended 30 June 2023. At 30 June 2023, the Group has undrawn banking facilities of HK\$30,000,000 from the financial institution available to the Group for its use. Furthermore, based on the cash flow projection prepared by management which covers a period of not less than twelve months from 30 June 2023, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months taking into account the bank facilities and internal resources available. The directors of the Company are satisfied that it is appropriate to prepare these condensed consolidated financial statements on a going concern basis.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 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 value.

Other than additional/changes in accounting policies resulting from adoption of new/revised 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

### Adoption of new/revised to HKFRSs

In the current interim period, the Group has adopted the following new/revised to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of the new/revised 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.

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for current interim period.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group's internal financial reporting, the executive directors consider that the operating segments of the Group comprise:

- (i) Cold storage and related services in Hong Kong;
- (ii) Trading and sales of food and beverage in the People's Republic of China ("PRC") and Hong Kong; and
- (iii) Money lending services in Hong Kong.

In addition, the executive directors consider that the Group's place of domicile is Hong Kong, where the central management and control is located.

### Segment revenue and results

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

#### Six months ended 30 June 2023 (unaudited)

	Cold storage and related services HK\$'000	Trading and sales of food and beverage HK\$'000	Money lending services HK\$'000	Consolidated HK\$'000
Segment revenue	118,670	43,093	131	161,894
Segment results	15,562	2,742	153	18,457
Unallocated income				12,863
Unallocated finance costs				(3,046)
Unallocated expenses				(6,880)
Profit before tax				21,394

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 3. SEGMENT INFORMATION (continued)

### Segment revenue and results (continued)

Six months ended 30 June 2022 (unaudited)

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

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred 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) and certain finance costs.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 3. SEGMENT INFORMATION (continued)

### Segment assets and liabilities

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

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
<b>Assets</b>		
Cold storage and related services	182,375	211,429
Trading and sales of food and beverage	24,132	21,425
Money lending services	90	149
Total segment assets	206,597	233,003
Unallocated assets	30,714	32,203
Consolidated assets	237,311	265,206
<b>Liabilities</b>		
Cold storage and related services	98,212	133,565
Trading and sales of food and beverage	6,879	5,516
Money lending services	7	15
Total segment liabilities	105,098	139,096
Unallocated liabilities	105,559	107,434
Consolidated liabilities	210,657	246,530

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 4. REVENUE

Revenue is analysed by category as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<i>Revenue from Contracts with Customers within HKFRS 15</i>		
Provision of cold storage and related services		
– Cold storage	104,585	103,007
– Loading and handling services	1,574	1,712
– Logistic and packing services	12,511	11,974
	<b>118,670</b>	116,693
Trading and sales of food and beverage	<b>43,093</b>	16,075
Revenue from Contracts with Customers within HKFRS 15	<b>161,763</b>	132,768
Interest income from money lending services, calculated using effective interest method	<b>131</b>	134
<b>Total revenue</b>	<b>161,894</b>	132,902
Revenue from Contracts with Customers within HKFRS 15 is disaggregated as follow:		
<b>Geographical markets</b>		
The PRC	42,961	15,441
Hong Kong	118,802	117,327
<b>Total</b>	<b>161,763</b>	132,768
<b>Timing of revenue recognition</b>		
A point in time	43,093	16,075
Over time	118,670	116,693
<b>Total</b>	<b>161,763</b>	132,768

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Government subsidy	279	2,745
Imputed interest income on rental deposits paid	1,253	1,127
Interest income from bank deposits	129	–
Other service income	2,236	1,026
Sundry income	77	104
	<b>3,974</b>	<b>5,002</b>

## 6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Exchange losses, net	(83)	(97)
Gain on disposal of a subsidiary	12,729	–
Gain on disposal of property, plant and equipment	–	8
	<b>12,646</b>	<b>(89)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 7. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Interest expense on bank borrowing	863	863
Interest expense on bonds payables	3,000	3,000
Interest expense on lease liabilities	1,619	3,417
	<b>5,482</b>	<b>7,280</b>

## 8. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	44	37
Depreciation of property, plant and equipment	869	1,021
Depreciation of right-of-use assets	34,685	33,952
Exchange losses, net	83	97
Gain on disposal of property, plant and equipment	–	(8)
Loss allowance (Reversal of loss allowance) on trade and other receivables, net		
– Loss allowance on trade receivables	203	117
– Reversal of loss allowance on loan receivables	(30)	(224)
	<b>173</b>	<b>(107)</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 9. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
Income tax expenses	–	–

### (i) Hong Kong Profits Tax

Hong Kong Profits Tax at the rate of 16.5% has not been provided as certain Group entities' estimated assessable profits were absorbed by unrelieved tax losses brought forward from previous year, some incurred losses for taxation purposes in Hong Kong for the six months ended 30 June 2023 and 2022.

### (ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in Bermuda and the British Virgin Islands respectively are exempted from the payment of income tax of the respective jurisdictions.

The Group's operations in the PRC are subject to enterprise income tax of the PRC at 25% (six months ended 30 June 2022: 25%).

## 10. DIVIDEND

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2022: 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 2022: nil).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
<i>Profit</i>		
Profit for the period attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<b>11,833</b>	2,326
	<b>'000</b>	<b>'000</b>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>290,110</b>	290,110
Effect of dilutive potential ordinary shares:		
– Shares issuable from the Company's share option ( <i>Note</i> )	–	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>290,110</b>	290,110

*Note:*

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 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 per share is same as the basic earnings per share for the six months ended 30 June 2023 and 2022 as there were no potential ordinary shares in issue for both periods.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired property, plant and equipment of HK\$563,000 (six months ended 30 June 2022: HK\$472,000) and no disposal of property, plant and equipment (six months ended 30 June 2022: disposed of certain items of property, plant and equipment with nil carrying amount for proceeds of HK\$8,000, resulting in a gain on disposal of HK\$8,000).

## 13. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK\$'000	Offices HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Reconciliation of carrying amount – six months ended 30 June 2022 (unaudited)				
At 1 January 2022 (audited)	136,115	663	402	137,180
Additions/lease modification	6,905	–	–	6,905
Depreciation	(33,348)	(495)	(109)	(33,952)
Exchange realignment	–	(1)	–	(1)
At 30 June 2022 (unaudited)	109,672	167	293	110,132
<b>Reconciliation of carrying amount – six months ended 30 June 2023 (unaudited)</b>				
At 1 January 2023 (audited)	76,080	3,201	183	79,464
Depreciation	(33,869)	(706)	(110)	(34,685)
Exchange realignment	–	(35)	–	(35)
At 30 June 2023 (unaudited)	42,211	2,460	73	44,744



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 13. RIGHT-OF-USE ASSETS (continued)

The total cash outflow for leases was approximately HK\$38,272,000 (six months ended 30 June 2022: HK\$37,830,000) for the six months ended 30 June 2023.

At 30 June 2023, the carrying amount of the motor vehicle of HK\$73,000 (31 December 2022: HK\$183,000) was pledged as the lessor's charge over the leased asset to secure the lease liabilities of HK\$71,000 (31 December 2022: HK\$175,000).

## 14. PLEDGED BANK DEPOSITS

At 30 June 2023, 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 2022: HK\$3,500,000) are secured by bank deposits amounting to HK\$1,700,000 (31 December 2022: HK\$1,700,000). The amount utilised at 30 June 2023 was approximately HK\$1,410,000 (31 December 2022: HK\$1,410,000).

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

### (a) Trade receivables

At 30 June 2023, included in trade and other receivables, deposits and prepayments are trade receivables, net of loss allowance, of HK\$57,816,000 (31 December 2022: HK\$53,219,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (a) Trade receivables (continued)

The Group does not allow any credit period to its trade debtors except for certain customers who are allowed 30 to 60 days credit period. At the end of the reporting period, the ageing analysis of the trade receivables (net of loss allowance) by invoice date is as follows:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Within 30 days	28,319	23,391
31 to 60 days	18,554	15,486
61 to 90 days	5,261	6,318
91 to 120 days	1,205	3,052
More than 120 days	4,477	4,972
	<b>57,816</b>	53,219

At 30 June 2023, included in the carrying amount of trade receivables is loss allowance of HK\$999,000 (31 December 2022: HK\$796,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 15. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

### (b) Loan receivables

At 30 June 2023, loan receivables represent two debtors with principal amounts and interest receivables of HK\$2,174,000 and HK\$336,000 (31 December 2022: HK\$2,226,000 and HK\$336,000) respectively which are past due as at the reporting date for more than 365 days. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses were made for irrecoverable amount.

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Loan and interest receivables	2,510	2,562
Less: Loss allowance	(2,510)	(2,540)
	—	22

At 30 June 2023, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK\$2,170,000 (31 December 2022: HK\$2,200,000) which carries fixed-rate interests at 12% per annum.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 16. TRADE AND OTHER PAYABLES

At 30 June 2023, included in trade and other payables are trade payables of HK\$7,889,000 (31 December 2022: HK\$5,923,000).

Except for certain trade creditors who allowed 30 days credit period, no credit period is generally allowed by trade creditors and no interest is charged on trade creditors. At the end of the reporting period, the ageing analysis of the trade payables by invoice date is as follows:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Within 30 days	5,136	4,357
31 to 60 days	2,672	1,511
61 to 90 days	59	50
91 to 120 days	22	5
	<b>7,889</b>	<b>5,923</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 17. LEASE LIABILITIES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Lease liabilities payable:		
Within one year	47,318	74,058
Within a period more than one year but not exceeding two years	970	10,470
Within a period more than two years but not exceeding five years	140	552
	<b>48,428</b>	85,080
Less: Amount due for settlement within twelve months shown under current liabilities	<b>(47,318)</b>	(74,058)
Amount due for settlement after twelve months shown under non-current liabilities	<b>1,110</b>	11,022

## 18. BONDS PAYABLES

The bonds payables bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. At 30 June 2023 and 31 December 2022, the maturity dates are the ninth anniversary of the dates of issue of the relevant bonds ranging from November 2023 to May 2024. Bonds payables with principal amount of HK\$100,000,000 (31 December 2022: HK\$40,000,000) will mature within twelve months from the end of the reporting period accordingly, classified as current.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 19. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 January 2022 (audited), 31 December 2022 (audited) and <b>30 June 2023 (unaudited)</b>	<b>60,000,000</b>	<b>600,000</b>
<b>Issued and fully paid:</b>		
At 1 January 2022 (audited)	2,901,104	29,011
2022 Share Consolidation ( <i>Note</i> )	(2,610,994)	–
2022 Capital Reduction ( <i>Note</i> )	–	(26,110)
	290,110	2,901
At 31 December 2022 (audited) and <b>30 June 2023 (unaudited)</b>	<b>290,110</b>	<b>2,901</b>

*Note:*

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:

- (i) 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”);
- (ii) 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”); and
- (iii) immediately following the 2022 Capital Reduction, all the credits arising from the capital reduction was transferred to the capital reserve of the Company.

At 24 March 2022, the Company have 290,110,400 consolidated shares in issue and a credit of approximately HK\$26,110,000 arising from the 2022 Capital Reduction has been credited to the capital reserve of the Company.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 20. SHARE OPTION SCHEME

The Company adopted a share option scheme (the “2015 Scheme”) on 2 June 2015, under which the Board of Directors may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated therein. Apart from the 2015 Scheme, the Group has no other share schemes as at the end of reporting period.

The scheme mandate limit of the 2015 Scheme was refreshed at the annual general meeting of the Company held on 27 May 2021. At 30 June 2023, there are outstanding 23,208,832 (31 December 2022: 23,208,832) share options, entitling the holders thereof to convert into an aggregate of 23,208,832 (31 December 2022: 23,208,832) shares at the time upon exercise of the share options. All the 23,208,832 (31 December 2022: 23,208,832) share options are granted under the 2015 Scheme, details of which were disclosed in paragraph (j) below. There are no other share options granted under the 2015 Scheme.

Summary of the 2015 Scheme are set out below:

### (a) Purpose

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

### (b) Eligible participants

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 20. SHARE OPTION SCHEME (continued)

### (c) Maximum number of shares available for issue

- (1) Total number of shares available for issue under the 2015 Scheme as at the end of reporting period: 17,406,624 (31 December 2022: 17,406,624); and
- (2) Percentage of the issued shares that it represents as at the end of reporting period: 6% (31 December 2022: 6%).

### (d) Maximum entitlement of each eligible participant

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

- (1) each eligible participant must not exceed 1.0% of the total number of shares in issue; and
- (2) a substantial shareholder of the Company or an independent non-executive director must not in aggregate exceed 0.1% of the total number of shares in issue and not exceed HK\$5 million in aggregate value.

### (e) Option period

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

### (f) Vesting schedule for an option

Vesting period (as the case may be) may specify by the Board of Directors at the time of grant. Unless the options have been withdrawn and cancelled or been forfeited in whole or in part, the grantee may exercise his rights according to the vesting schedule set out in the relevant grant letter. The option must be exercised no more than 10 years from the grant date.

No specified minimum period for which an option must be held, unless otherwise specified by the Board of Directors at the time of grant.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 20. SHARE OPTION SCHEME (continued)

### (g) Acceptance of offer

- (1) Amount payable on application or acceptance of the option:

A non-refundable nominal consideration of HK\$1 is payable by the grantee upon acceptance of an option;

- (2) The period within which payments or calls must or may be made:

21 days inclusive of, from the offer date of an option (the “Offer Date”); and

- (3) The period within which loans for the purposes of the payments or calls must be repaid:

Not applicable.

### (h) Exercise price

The exercise price for shares under the 2015 Scheme shall be determined by the Board of Directors at its absolute discretion but in any event will not be less than the highest of:

- (1) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on Offer Date, which must be a business day;
- (2) the average of the closing prices of the shares on the Stock Exchange as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the Offer Date; and
- (3) the nominal value of the shares on the Offer Date.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 20. SHARE OPTION SCHEME (continued)

### (i) The remaining life of the 2015 Scheme

Approximately 2 years (31 December 2022: 3 years) (expiring on 1 June 2025).

### (j) Outstanding options under the 2015 Scheme

Grantees	Notes	Date of grant	Exercise price per share HK\$	Closing price immediately before the date of grant HK\$	Exercise period	Number of share options					Outstanding at 30 June 2023 (unaudited)	
						Outstanding at 1 January 2023 (audited)	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period		
<b>Category 1:</b>												
<b>Directors</b>												
Fung Pak Kai	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	2,901,104	-	-	-	-	2,901,104	
	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	2,901,104	-	-	-	-	2,901,104	
Ho Hon Chung, Ivan	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	2,901,104	-	-	-	-	2,901,104	
	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	2,901,104	-	-	-	-	2,901,104	
<b>Sub-total:</b>						<b>11,604,416</b>	-	-	-	-	<b>11,604,416</b>	
<b>Category 2:</b>												
<b>Employees</b>												
Five highest paid individuals during 2021 (excluding Directors) – In aggregate	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	5,802,208	-	-	-	-	5,802,208	
Five highest paid individuals during 2022 (excluding Directors) – In aggregate	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	5,802,208	-	-	-	-	5,802,208	
<b>Sub-total:</b>						<b>11,604,416</b>	-	-	-	-	<b>11,604,416</b>	
<b>Total:</b>						<b>23,208,832</b>	-	-	-	-	<b>23,208,832</b>	

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 20. SHARE OPTION SCHEME (continued)

### (j) Outstanding options under the 2015 Scheme (continued)

Grantees	Notes	Date of grant	Exercise price per share HK\$	Closing price immediately before the date of grant HK\$	Exercise period	Number of share options					Outstanding at 30 June 2022 (unaudited) and 31 December 2022 (audited)
						Outstanding at 1 January 2022 (audited)	Granted during the period/year	Exercised during the period/year	Cancelled during the period/year	Lapsed during the period/year	
<b>Category 1:</b>											
<b>Directors</b>											
Fung Pak Kai	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	2,901,104*	-	-	-	-	2,901,104
	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	-	2,901,104	-	-	-	2,901,104
Ho Hon Chung, Ivan	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	2,901,104*	-	-	-	-	2,901,104
	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	-	2,901,104	-	-	-	2,901,104
<b>Sub-total:</b>						<b>5,802,208*</b>	<b>5,802,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,604,416</b>
<b>Category 2:</b>											
<b>Employees</b>											
Five highest paid individuals during 2021 (excluding Directors) – In aggregate	1, 3	30 April 2021	0.39*	0.37*	1 January 2022 to 29 April 2031	5,802,208*	-	-	-	-	5,802,208
Five highest paid individuals during 2022 (excluding Directors) – In aggregate	2, 3	4 May 2022	0.192	0.188	1 January 2023 to 3 May 2032	-	5,802,208	-	-	-	5,802,208
<b>Sub-total:</b>						<b>5,802,208*</b>	<b>5,802,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,604,416</b>
<b>Total:</b>						<b>11,604,416*</b>	<b>11,604,416</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,208,832</b>

#### Notes:

- The vesting period of the options was from the date of grant till commencement of its exercise period, which would be from 30 April 2021 to 31 December 2021. The performance targets relate to the performance of the Group and the performance targets have been achieved. The option period during which the options may be exercised is the period from 1 January 2022 to 29 April 2031 (subject to the provisions for early termination of the 2015 Scheme and the achievement of performance target to be determined from time to time at the absolute discretion of the Board of Directors). The date of grant was 30 April 2021. The weighted average closing price of the shares immediately before the vesting was approximately HK\$0.37 per share (as adjusted by the 2022 Capital Reorganisation).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 20. SHARE OPTION SCHEME (continued)

### (j) Outstanding options under the 2015 Scheme (continued)

Notes: (continued)

2. The vesting period of the options was from the date of grant till commencement of its exercise period, which would be from 4 May 2022 to 31 December 2022. The performance targets relate to the performance of the Group and the performance targets have been achieved. The option period during which the options may be exercised is the period from 1 January 2023 to 3 May 2032 (subject to the provisions for early termination of the 2015 Scheme and the achievement of performance target to be determined from time to time at the absolute discretion of the Board of Directors). The date of grant was 4 May 2022. The weighted average closing price of the shares immediately before the vesting was approximately HK\$0.179 per share.
3. All grantees shown in this table 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).
- \* Pursuant to the terms of the 2015 Scheme, the adjustments in relation to the outstanding share options have been made upon the 2022 Capital Reorganisation on the exercise price and the number of outstanding share options.

### (k) Scheme Limit, refreshment of Scheme Limit and maximum number of shares which may be issued

A total of 17,406,624 shares (31 December 2022: 17,406,624) may be granted under the 2015 Scheme, representing 6% (31 December 2022: 6%) of the issued share capital (the “Scheme Limit”) as at the end of reporting period, unless otherwise permitted by the Listing Rules and the Company obtaining the approval of its shareholders to refresh the Scheme Limit. The Company may seek the approval of its shareholders in general meeting to refresh the Scheme Limit such that the total number of shares which may be issued upon exercise of all options that may be granted under the 2015 Scheme and any other option scheme involving the issue or grant of options over shares or other securities by the Company under the limit as refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit.

The Company may seek the approval of its shareholders in general meeting to grant options which will result in the number of shares in respect of all the options granted under the 2015 Scheme and all the options granted under any other option scheme exceeding 10% of the issued share capital of the Company, provided that such options are granted only to participants specifically identified by the Company before the approval of shareholders is sought.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 20. SHARE OPTION SCHEME (continued)

### (k) Scheme Limit, refreshment of Scheme Limit and maximum number of shares which may be issued (continued)

23,208,832 shares (year ended 31 December 2022: 23,208,832) that may be issued in respect of options granted under 2015 Scheme during the six months ended 30 June 2023 divided by the weighted average number of shares of the relevant class in issue of 290,110,400 shares (31 December 2022: 290,110,400) for the period/year is 8% (31 December 2022: 8%).

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 Scheme and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 20. SHARE OPTION SCHEME (continued)

### (l) Fair value of options

The fair value of outstanding share options granted on 4 May 2022 and 30 April 2021 are calculated using the Binomial Option Pricing Model, with the following key inputs:

	Date of grant	
	4 May 2022	30 April 2021
Fair value – Category 1	<b>HK\$0.12</b>	HK\$0.24*
– Category 2	<b>HK\$0.11</b>	HK\$0.21*
Share price immediately before the grant date	<b>HK\$0.188</b>	HK\$0.37*
Share price at grant date	<b>HK\$0.188</b>	HK\$0.39*
Exercise price	<b>HK\$0.192</b>	HK\$0.39*
Expected volatility	<b>72.33%</b>	71.63%
Risk-free interest rate	<b>3.08%</b>	1.42%
Expected dividends	<b>Nil</b>	Nil

\* Pursuant to the terms of the 2015 Scheme, the adjustments in relation to the outstanding share options have been made upon the 2022 Capital Reorganisation on the exercise price.

The expected volatility was determined using the historical volatility of the Company's share prices. The values of above share options vary with different variables of certain subjective assumptions in regard to the limitation of calculation model applied.

During six months ended 30 June 2022, with reference to the fair value of the share options at grant date, the Group recognised approximately HK\$330,000 (six months ended 30 June 2023: nil) as the share-based compensation costs.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 21. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these condensed consolidated financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, “*Fair Value Measurement*”, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

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

### (i) Assets and liabilities measured at fair value

	Level 3	
	At	At
	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
<b>Equity instrument at FVOCI</b>		
Unlisted equity investment	–	–

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023

## 21. FAIR VALUE MEASUREMENTS (continued)

### (i) Assets and liabilities measured at fair value (continued)

During the six months ended 30 June 2023 and 2022, there were no transfer between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

At 31 December 2022, the fair value of the unlisted equity investment is determined with reference to its net asset value.

### Reconciliation of Level 3 fair value measurements

	Six months ended 30 June	
	2023	2022
	HKS'000	HKS'000
	(unaudited)	(unaudited)
<b>Equity instrument at FVOCI</b>		
At 1 January	–	–
Disposal of a subsidiary	–	–
At 30 June	–	–

### (ii) Assets and liabilities not measured at fair value

The carrying amounts of financial assets and liabilities measured at amortised cost are carried at amounts not materially different from their fair values at 30 June 2023 and 31 December 2022.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2023



## 22. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties:

### Key management's remuneration, including directors' remuneration

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries, allowances and other short-term employee benefits	3,759	3,582
Contributions to defined contribution plans	94	93
Share-based compensation costs	–	330
	<b>3,853</b>	<b>4,005</b>

## DISCLOSURE OF INTERESTS

### Interests of Directors

At 30 June 2023, 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 <sup>(Note 1)</sup>	Number of share options held <sup>(Note 2)</sup>	Approximate percentage of total issued share	
				Total interests	capital <sup>(Note 3)</sup>
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 at 30 June 2023 which was 290,110,400.



## **DISCLOSURE OF INTERESTS (continued)**

### **Share Option Scheme**

The Company's current share option scheme (the "2015 Scheme") was adopted on 2 June 2015, under which the board of directors may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated therein. Apart from the 2015 Scheme, the Group have no other share schemes under Chapter 17 of the Listing Rules during the six months ended 30 June 2023 and up to the date of this Interim Report. No share options have been granted since the end of the current interim period till the date of this Interim Report.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out in note 20 to the condensed financial statements. Up to the date of this Interim Report, there were no changes in the disclosure of note 20 to the condensed financial statements.

Apart from the 2015 Scheme, at no time during the current interim 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**

At 30 June 2023, 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 <sup>(Note 3)</sup>
		Direct interest	Indirect interest	
Great Virtue Holding Limited <sup>(Note 1)</sup>	Beneficial owner	46,880,000	–	16.16%
William Waileung Kong <sup>(Note 1)</sup>	Interest of controlled corporation	–	46,880,000	16.16%
Ever Achieve Enterprises Limited <sup>(Note 2)</sup>	Beneficial owner	20,232,313	–	6.97%
Grand Legacy Holdings Limited <sup>(Note 2)</sup>	Interest of controlled corporation	–	20,232,313	6.97%
Premium Access Holdings Limited <sup>(Note 2)</sup>	Interest of controlled corporation	–	20,232,313	6.97%

*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 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.

3. The percentages are calculated based on the total number of shares of the Company in issue at 30 June 2023 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 current interim period and up to the date of this report. The “Related Party Transactions” as disclosed in note 22 to the condensed 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 under Chapter 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 2023.

## IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No important events affecting the Group occurred since 30 June 2023 and up to the date of this report.

## CORPORATE GOVERNANCE

### Code on corporate governance practices

For the first half of 2023, 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 C.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 current interim 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.



## OTHER INFORMATION

### **CORPORATE GOVERNANCE (continued)**

#### **Code on corporate governance practices (continued)**

According to the code provision F.2.2 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 current interim period, the Company did not comply with code provision F.2.2 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 current interim period. No incident of non-compliance was noted by the Company during the current interim period.

#### **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 2023 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 2023 comply with the applicable accounting standards, the Listing Rules and legal requirements and that adequate disclosure has been made.



## **CORPORATE GOVERNANCE (continued)**

### **Audit Committee (continued)**

The Audit Committee comprises all three Independent Non-executive Directors, namely Mr. Leung Chi Hung, Mr. Lo Chi Wang and Mr. Tse Yuen Ming. Mr. Leung Chi Hung is the chairman of the Audit Committee. Effective on 25 May 2023, Mr. Lo Chi Wang replaced Mr. Fung Siu Kit, Ronny as a member of the Audit Committee.

### **Risk management and internal control**

The Board is responsible for ensuring the Group possesses adequate and effective risk management and internal control systems (the “RM and IC Systems”). The Audit Committee then reviews this system. The RM and IC Systems aim to manage potential risks of failure in operational systems so that the Group’s objectives are met, offering reasonable assurance against material misstatements or losses but can never offer an absolute guarantee.

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 in the department’s business and regularly implement strategies and policies set by the Board.

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 an independent appraisal of the adequacy and effectiveness of certain subsidiaries’ RM and IC systems. The Internal Control Adviser is conducting their appraisal for the current fiscal year as of the report date.

During the six months ended 30 June 2023, the Audit Committee, with the assistance of the Internal Control Adviser, has developed the current year’s RM and IC systems appraisal plan. The scope of the current fiscal year’s RM and IC system evaluation plan focused on reviewing (i) operational controls for the cold storage and related services segment (purchase and payables cycle and expenditure cycle); (ii) operational controls for the ancillary logistics services segment (revenue and receivables cycle and purchase and payables cycle); (iii) compliance risk management controls of the Group; (iv) financial reporting and disclosure controls of the Group; and (v) follow up on recommendations from the previous year’s report.



## OTHER INFORMATION

### **CORPORATE GOVERNANCE (continued)**

#### **Risk management and internal control (continued)**

During the six months ended 30 June 2023, the Board was satisfied that the Group's risk management and internal control processes were adequate to meet the needs of the Group in its current business environment and that nothing had come to their attention to cause them to believe the Group's RM and IC Systems were inadequate. The existing RM and IC Systems were effective and adequate, and the Board would continue to review, strengthen, or update them 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. Lo Chi Wang, an Independent Non-executive Director of the Company, appointed as an independent non-executive director of Easy Smart Group Holdings Limited (stock code: 2442, a company listed on Main Board of the Stock Exchange) with effect from 12 April 2023.

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

Hong Kong, 30 August 2023