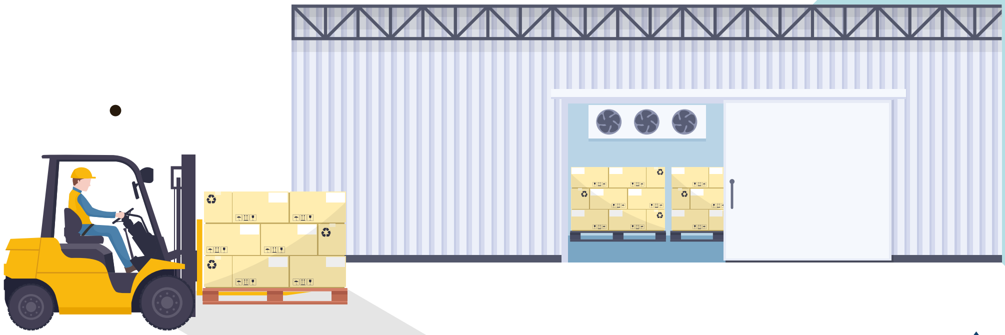
DAIDO

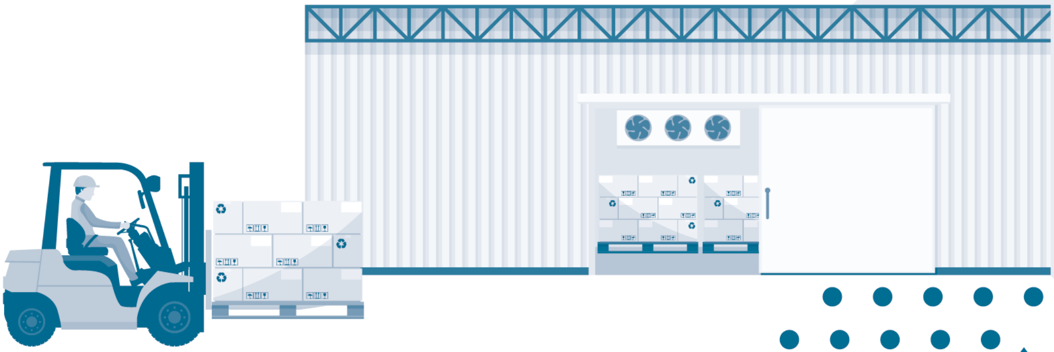
(Incorporated in Bermuda and its members' liability is limited)
（在百慕達成立為法團，而其成員的法律責任是有限度的）

Stock Code 股份代號 ：00544



DAIDO GROUP LIMITED
大同集團有限公司

ANNUAL REPORT
年報 2023



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Pak Kei *(appointed as Chief Executive Officer on 22 February 2024)*
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*

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 *(retired 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 *(retired 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 *(retired on 25 May 2023)*

Remuneration Committee

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

COMPANY SECRETARY

Mr. Cheung Hoi Kin

STOCK CODE

00544

WEBSITE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1301, Level 13, Tower 1
Kowloon Commerce Centre
No. 51 Kwai Cheong Road
Kwai Chung, New Territories
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants and
Registered Public Interest Entity Auditor
42nd Floor, Central Plaza
18 Harbour Road
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications (Hong Kong) Limited
Nanyang Commercial Bank, 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

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31 December 2023.

Even though the economic activities returning to normal after three years of pandemic, the sluggish economic recovery and the evident conservative consumption globally for the year of 2023 was observed. The global turbulence and complex international relations also aggravated the uncertainty of global economy.

Despite the uncertain operating environment, the Group has been able to enhance its operational performance year-on-year, due to the combined strategies of risk diversification, operational improvement, and effective governance.

The Group's cold storage and logistics business had suffered a decline in demand from food and beverage ("F&B") catering customers in 2023. This was due to the trend of travelling in Mainland China and oversea countries and release of consumption power after the COVID-19. However, the Group was able to effectively hedge such risks by diversifying its client base to attract new customers in need of warehouse storage and logistics services and rates adjustment.

In Mainland China, the Group runs a food and beverage trading business through its network of supermarkets and convenient stores. As a result of the internal business restructuring by adjusting our sales strategies, we had chosen to focus on high-margin product portfolio and adopted more effective but less costly sales channels and observed successful implementation of this strategy.

We responded rapidly to the swift changes of lifestyle of mass market consumers after the COVID-19. The non-core Business to Customer ("B2C") retail businesses in Hong Kong and Mainland China have been ceased and the resources have been re-allocated to our core business and higher margin segments.

Looking ahead, the Group remains cautiously optimistic that economy recovery is expected in Mainland China, Hong Kong and all over the world with the resumption of normal economic activities. The Group will continue to improve operational efficiency of cold storage facilities, manage cost effectively and flexibly realign business strategies to better manage risks and optimise returns within core business segments in Mainland China and Hong Kong.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the year ended 31 December 2023, the Group's total revenue amounted to approximately HK$298 million, representing an increase of about 9.2%, compared to approximately HK$273 million from the preceding year.

For the year ended 31 December 2023, the Group recorded a profit attributable to equity holders of the Company of approximately HK$5.7 million compared to the profit of approximately HK$4.8 million recorded in the year ended 31 December 2022, representing an increase of 18.8% over the same period of last year.

The Board considers that the slight increase in profit was primarily attributable to (i) the trading and sales of food and beverage business in Mainland China recorded a turnaround from loss to profit. Due to implementation of effective sales strategies, the revenue of this business increased significantly by approximately 100.6% as compared to 2022; and (ii) the one-off gain recorded due to the disposal of a subsidiary. The above favourable factors are partially offset by (iii) the decrease in revenue from cold storage and related services business by approximately 3.3% recorded in 2023 as compared to 2022; and (iv) the absence of government subsidy under the Employment Support Scheme received from the Government of the Hong Kong Special Administrative Region ("Hong Kong Government") which was available in 2022.

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 2023, with the trend of travelling in Mainland China and oversea countries and consumption power released after the COVID-19, the consumptive power of Hong Kong citizens has been transferred to areas outside Hong Kong, which resulting in adverse effect on the demand of frozen food from the food and beverage ("F&B") catering. The Group recorded a decline of profit in cold storage and logistics during 2023, 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 manage foreseeable market rebound and to achieve sustainable corporate growth in the long run.

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 from these sectors, the Group has enhanced usage efficiency of temperature-controlled storage areas at our warehouses. During the current year, we maintained good relationships and stable business volume with existing customers while continued to reach out and develop business with operators in these sectors.

The Group maintained warehouse disinfection and food package of cold stores at industry standard. We will continue to apply these hygienic 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 year. We adjusted prices with a higher rate to selected customers, and the management is also expecting an increase in business volume from customers who enjoyed unadjusted rates.

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage and logistics (continued)

The Group had operated a bonded warehouse in Kwai Hei Street warehouse that mainly carries alcohol and tobacco products. Stable performance in the volume and the earnings were recorded during 2023.

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

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 2023, the Group continuously reviews and assesses its existing wholesale channels and products and had ceased certain distribution channels and products with lower margins while building higher margin ones, especially the network of convenient stores. Stringent cost control measures were implemented to maintain the segment's profitability at the same time. With these strategies, the Group successfully revamped a high margin product with a reputational supermarket brand during 2023. The convenient stores networks were also gradually expanded during the second half of the current year and yielded a good result in the 4th quarter. The Group recorded a profit in this segment in during the current year as a whole, compared to the loss in this segment for the same period of last year.

With the lift of prevention measures of COVID-19, the management observed and foresaw the fast changes of life style of mass market consumers in both Mainland China and Hong Kong. Swift response had been made by the management to cease the operation of the non-core Business to Customer ("B2C") business unit with a beverage product named "Attitude Planet" in Mainland China and the e-commerce grocery platform named "Urban Mart" in Hong Kong. The resources of the Group would be re-allocated to higher margin segments and core business.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Group manages its business and operation risks through diversifying its business portfolio, ensuring a balance between safety and profitability. To grow its more promising segments, both cost saving measures and resource re-allocation are adopted to reduce exposure to market volatility such as that caused by the US-China trade dispute and the uncertain economy in Mainland China and Hong Kong after the COVID-19 pandemic.

The Group is also cognisant of its vulnerability to political and economic risks in the macroeconomic environment, which could undermine demand for its products and services. We are also aware of other hazards, such as long-term depreciation on the warehouse properties that could compromise our storage capacity and therefore, business growth. We enacted financial prudence to safeguard the continual performance of our operation by reducing operating expense, by coping with small profit but rapid turnover and by conserving internal resources to counter any negative impact from the macroeconomic environment.

With the trend of travelling in Mainland China and oversea countries and consumption power released after the COVID-19, the consumptive power of Hong Kong citizens has been transferred to areas outside Hong Kong, which resulting in adverse effect on the demand of frozen food from F&B catering. As our cold storage business is highly related to the domestic market, the Group is experiencing the unexpected decline on the demand of frozen food.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

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

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 38 to the consolidated financial statements.

PROSPECTS

With support from the Hong Kong Government, the resume of economic activities, such as plans to attract talents and tourists, it stimulates consumer's spending power and sentiment in domestic market. According to the revised figure released on 28 February 2024 by the Census and Statistics Department of the Hong Kong Government, GDP increased by 3.2% throughout 2023.

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 together with measures to stimulate the economy taken by the Hong Kong Government and the Mainland China Government.

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 cold storage and 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 and timely 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. We would maintain the high margin channel with the reputational supermarket while keep exploring the mass network of convenience stores. The strategy 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 would also be continued to achieve further profitability.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

The Group is committed to developing a steady and progressive culture that is built on our existing Purpose, Vision and Values. We thrive to nurture innovation, and to exert the best substance from within the Group to customers and stakeholders that enables us to deliver long-term sustainable growth and evolvement. Over the past year, we have demonstrated our achievement on sustaining our cultural framework, in particular operational efficiency, labour performance and service excellence through various initiatives set out in the Business Review and the Environmental, Social and Governance Report sections in this Annual Report.

Our goal is to become the most trusted and efficient cold-chain infrastructure service provider in Hong Kong, by exercising our vision to offer quality cold-chain infrastructure to our customers such as food producers, distributors and trading companies, and to provide reliable food supply to our end-consumers in Hong Kong and worldwide. Our Group's value (reliability, safety, service excellence, and collaboration) provides us with guidance on reaching this goal. We are also seeking for suitable strategy partners to fuel the development of the Group.

We mainly measure our performance by references to, including but not limited to, revenue, revenue growth, gross profit margin, profit margin, gross profit by segment, operational efficiency and labour performance.

We measure and assess our culture by references to the staff turnover rate, whistleblowing data, feedback from our stakeholders through different forms, including annual performance appraisals, surveys and questionnaires, compliance with the regulations, internal control policies, and findings identified by our Internal Control Adviser.

To ensure that the desired culture and expected behaviors are clearly communicated to all employees, we circulate the latest code of conduct and corporate governance related internal control policies periodically and provide relevant training if necessary. We also hold routine meetings between (i) the management and the Board, (ii) the management and the employees at all levels, and (iii) the management and our stakeholders. Company's publications including annual report, interim report and circular are published on the Company's website.

Other than the abovementioned communication means, whistleblowing channels with involvement of Independent Non-executive Directors are implemented for sharing ideas and concerns on any misconduct or misalignment identified. Customers, subcontractors and employees are engaged annually in the form of evaluation forms or surveys to understand their opinion and concerns of our Group. We also welcome enquiries from stakeholders through an enquiry channel published on the Company's website. All misconduct or misalignment identified will be addressed. For details, please refer to sections headed "Risk Management and Internal Control" of Corporate Governance Report and "Anti-Corruption" of Environmental, Social and Governance Report of this Annual Report.

Competitive remuneration packages are provided to our employees and Board members with annual appraisals and performance evaluation being assessed. Please refer to sections headed "Employment and Remuneration Policy" of Management Discussion and Analysis and "Remuneration Policy" of Corporate Governance Report of this Annual Report. The Company's values and culture (including expected behaviors) are embedded in the recruitment criteria. Training and materials are provided to Directors and employees to refresh their knowledge, exercise their duties and develop the required competencies and, more broadly, the elements supporting a sound risk culture, including effective challenge and open communication.

With the above measures and cultures developed, we believe these can help improve our corporate governance and improve our Group's performance.

We believe generating long-term values for shareholders and stakeholders is the essence for the Group to sustain and grow. The Group has a manifesting and continuous strategy planning process to access, evaluate and identify our organisation's strengths and weaknesses, as well as opportunities and threats that the Group might be facing. We develop and implement strategies based on the results of our planning process, and to align the mindset of achievability that the executives and employees might perform.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2023	2022
Earnings per share – basic and diluted	HK cents	**1.96**	1.64
Net assets per share attributable to equity holders of the Company	HK cents	**7.19**	5.35
Current ratio	times	**0.87**	0.85
Total liabilities to total assets ratio	times	**0.92**	0.93
Gearing ratio	%	**167.9**	612.4
Return on equity ratio	%	**27.2**	30.7
Return on assets	%	**2.2**	1.8
Assets turnover ratio	times	**1.15**	0.93

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2023, the Group had bank and cash balances of approximately HK$62.0 million *(2022: approximately HK$60.4 million)*, which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("US$") as to approximately 73.5%, 10.0% and 16.5% *(2022: approximately 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 167.9% as at 31 December 2023 *(2022: approximately 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. As at 31 December 2023, the aggregate principal amount of bonds remaining outstanding was HK$100 million which is same as 31 December 2022.

As at 31 December 2023, bonds with principal amount of HK$100 million *(2022: HK$40 million)* will mature within twelve months from the end of the reporting period accordingly, classified as current. During the year ended 31 December 2023, the Company and the bondholders entered into agreements with principal amount of HK$40 million for a maturity date ranging from six months to one year. Subsequent to the end of the reporting period until the date of this report, the Company and the bondholders entered into agreements with principal amount of HK$40 million for a maturity date ranging from six months to maximum two years.

As at 31 December 2023, the Group had a bank borrowing of HK$35 million *(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.

During the year ended 31 December 2023, the Group's capital expenditure was mainly financed by internal resources.

FINANCIAL REVIEW (continued)

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 year ended 31 December 2023, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure

As at 31 December 2023, the total issued share capital of the Company was HK$2,901,104 *(2022: HK$2,901,104)* divided into 290,110,400 ordinary shares *(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 year ended 31 December 2023, 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.

Charges on assets

As at 31 December 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 *(2022: HK$3.5 million)* are secured by bank deposits amounting to HK$1.7 million *(2022: HK$1.7 million)*. The amount utilised at 31 December 2023 was approximately HK$1.4 million *(2022: approximately HK$1.4 million)*.

In addition, within the Group's lease liabilities of approximately HK$74.9 million *(2022: approximately HK$85.1 million)*, approximately HK$0.5 million *(2022: approximately HK$0.2 million)* was secured by a lessor's charge over the leased asset with carrying value of approximately HK$0.5 million *(2022: approximately HK$0.2 million)*.

Future plans for material investments or capital assets

As at 31 December 2023, the Group did not have any concrete future plans for material investments or capital assets.

Contingent liabilities

As at 31 December 2023, the Group did not have any contingent liabilities *(2022: Nil)*.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 170 and 30 respectively *(2022: approximately 180 Hong Kong employees; 40 Mainland China employees)*. Total staff related costs for the year ended 31 December 2023 amounted to approximately HK$66,095,000 *(2022: approximately HK$69,455,000)*. 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.

DIRECTORS OF THE COMPANY

MR. FUNG PAK KEI, aged 41, has been appointed as Executive Director of the Company in June 2019. Subsequently, he has been appointed as Chief Operating Officer of the Group. In February 2024, Mr. Fung was re-designated from Chief Operating Officer to the Chief Executive Officer of the Group. He has also served as a director of certain subsidiaries of the Company. Mr. Fung is a member of Hong Kong Institute of Certified Public Accountants since 2008 and a member of Hong Kong Institute of Taxation since 2012. He holds Bachelor of Commerce and Bachelor of Arts (Asian Studies) from the University of Queensland and was admitted to the Golden Key International Honour Society in 2000. Mr. Fung was also awarded a scholarship to Hitotsubashi University in Japan and completed a Brand Marketing and a Japanese program in 2002. He worked at PwC from 2005 to 2017 and focused on merger & acquisition and tax planning and was involved in various international/regional business advisory projects. Mr. Fung has years of experience in the cold chain solution industry including running a cold storage business, developing a cold storage facility and innovating a brand-new cold chain business model.

MR. HO HON CHUNG, IVAN, aged 69, was appointed as an Executive Director of the Company in November 2009 and became the Acting Chief Executive Officer and an authorised representative of the Company in June 2019. He has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. AU TAT WAI, aged 51, is currently a Non-executive Director of the Company. Mr. Au joined the Group as an Executive Director and the Chief Executive Officer in September 2009. In June 2019, Mr. Au resigned as the Chief Executive Officer and an authorised representative of the Company. Subsequently, he was re-designated from an Executive Director to a Non-executive Director in December 2019. Mr. Au has over 8 years of experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad – acting as a key liaison, bringing together in partnership Western and Chinese interests. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. FUNG WA KO, aged 62, is currently a Non-executive Director of the Company. Mr. Fung joined the Group as an Executive Director and the Chief Executive Officer in October 2003. He was appointed as the Deputy Chairman of the Group in April 2004 and became the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Group in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. LEUNG CHI HUNG, aged 68, joined the Group as an Independent Non-executive Director of the Company in September 2003. He is also the chairman of the audit committee and a member of the nomination committee and the remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now a member of multiple international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of REF Holdings Limited (stock code: 1631) and Zhongzheng International Company Limited (stock code: 943), both companies are listed on The Stock Exchange of Hong Kong Limited.

DIRECTORS OF THE COMPANY

MR. LO CHI WANG, aged 46, joined the Group as an Independent Non-executive Director of the Company in May 2023. He is also the chairman of the remuneration committee; and a member of the audit committee and the nomination committee of the Company respectively. Mr. Lo has over 19 years of experience in accounting and finance. He worked at Deloitte Touche Tohmatsu focused on audit and tax, and was the financial controller of listed groups. Mr. Lo received a degree of Bachelor of Arts (Honour) in Accounting from Manchester Metropolitan University in Manchester, United Kingdom. He is now a member of multiple international accountancy bodies. Mr. Lo is currently the group financial controller and assistant general manager of financial service division and Hong Kong factory of Hung Fook Tong Group Holdings Limited (stock code: 1446, a company listed on the Main Board of the Stock Exchange). Mr. Lo is currently an independent non-executive director of Easy Smart Group Holdings Limited (stock code: 2442, a company listed on Main Board of the Stock Exchange) and is an independent non-executive director of Novacon Technology Group Limited (stock code: 8635, a company listed on GEM of the Stock Exchange).

MR. TSE YUEN MING, aged 56, joined the Group as an Independent Non-executive Director of the Company in August 2003. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Lam. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Vice President of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DIRECTORS' REPORT

The Directors present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

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

An analysis of the Group's performance during the year using financial key performance indicators is also provided in the Management Discussion and Analysis on page 8 which forms part of the Directors' Report but not part of the audited consolidated financial statements.

Key risks and uncertainties

In addition, description of the principal risks and uncertainties facing the Group are provided in the Management Discussion and Analysis and note 34 to the consolidated financial statements attached to this Annual Report.

Compliance with laws and regulations

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

Environmental policies and performance, and relationships with key stakeholders

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate amount of revenue attributable to the Group's five largest customers accounted for approximately 43% of the Group's total revenue and the revenue attributable to the Group's largest customer accounted for approximately 17% of the Group's total revenue.

For the year ended 31 December 2023, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 65% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 30% of the Group's total purchases.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this Annual Report.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2023 *(2022: nil)*.

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves consisted of contributed surplus of HK$84,239,000 *(2022: HK$84,239,000)* and accumulated losses of HK$517,660,000 *(2022: HK$537,358,000)*.

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

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

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

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities.

BANK BORROWING

Details of bank borrowing of the Group as at 31 December 2023 are set out in note 24 to the consolidated financial statements.

DONATIONS

Detailed discussions on the Group's donations are set out in the Environmental, Social and Governance Report of this Annual Report.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

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 year.

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 financial year ended 31 December 2023 and up to the date of this Annual Report. No share options have been granted since the end of the reporting period till the date of this Annual Report.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out in note 29 to the consolidated financial statements. Up to the date of this Annual Report, there were no changes in the disclosure of note 29 to the consolidated financial statements.

Apart from the 2015 Scheme, at no time during the year 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.

EQUITY-LINKED AGREEMENTS

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

To the best knowledge of the Directors and based on information publicly available to the Company, there was a sufficient public float throughout the year ended 31 December 2023 and as at the latest practicable date prior to the issue of this Annual Report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, save as disclosed below, so far as is known to the Company's Directors or chief executives of the Company, no person (other than the Company's Directors or chief executives of the Company) had interests or short positions in any shares or underlying shares of the Company which will fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO and no person (other than the Company's Director or chief executive of the Company), had interests or short positions in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

Long positions in the shares of the Company:

Name of shareholder	Capacity/ nature of interest	Number of shares held Direct interest	Indirect interest	Approximate percentage of total issued share capital (Note 3)
Great Virtue Holding Limited (Note 1)	Beneficial owner	46,880,000	–	16.16%
William Waileung Kong (Note 1)	Interest of controlled corporation	–	46,880,000	16.16%
Ever Achieve Enterprises Limited (Note 2)	Beneficial owner	20,232,313	–	6.97%
Grand Legacy Holdings Limited (Note 2)	Interest of controlled corporation	–	20,232,313	6.97%
Premium Access Holdings Limited (Note 2)	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 as at 31 December 2023 which was 290,110,400.

DIRECTORS

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

Executive Directors

Mr. Fung Pak Kei *(appointed as Chief Executive Officer on 22 February 2024)*
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*

Non-executive Directors

Mr. Au Tat Wai
Mr. Fung Wa Ko

Independent Non-executive Directors

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

In accordance with the Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 84 of the Bye-Laws, Mr. Ho Hon Chung, Ivan, Mr. Fung Wa Ko and Mr. Tse Yuen Ming will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Updated biographies of the current Directors are set out in the Directors of the Company section of this Annual Report, as well as the changes in their emoluments as set out in note 10 to the consolidated financial statements.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INTERESTS OF DIRECTORS

As at 31 December 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 SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

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

Name of Director	Capacity/ nature of interest	Number of shares held (note 1)	Number of share options held (Note 2)	Total interests	Approximate percentage of total issued share capital (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 31 December 2023 which was 290,110,400.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed “Share Option Scheme” above, at no time during the year ended 31 December 2023 the Company or any of its subsidiaries or fellow subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in note 32 to the consolidated financial statements attached to this Annual Report.

Notwithstanding the above, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2023 was a Director or his or her connected entity had, directly or indirectly, a material interest was entered into at any time during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company did not have any non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The related party transactions described in note 32 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors (not being the Independent Non-executive Directors) had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as defined in the Listing Rules during the year and up to the date of this report.

PERMITTED INDEMNITY PROVISION

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

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

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

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

CORPORATE GOVERNANCE

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

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 38 to the consolidated financial statements.

AUDITOR

Deloitte Touche Tohmatsu has resigned as the auditor of the Company with effect from 27 October 2022. Mazars CPA Limited was appointed as the auditor of the Company in place of Deloitte Touche Tohmatsu. For the details, please refer to the announcements of the Company dated 27 October 2022. Save as disclosed above, there was no change in auditor during the past three years.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Mazars CPA Limited, who will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of Mazars CPA Limited as the auditor of the Company is to be proposed at the Annual General Meeting.

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

Approved by the Board on 27 March 2024

HO HON CHUNG, IVAN
Executive Director

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code in Appendix C1 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviations in paragraph headed "Chairman and Chief Executive".

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

CORPORATE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31 December 2023 and up to the date of this Annual Report are:

Executive Directors

Mr. Fung Pak Kei *(appointed as Chief Executive Officer on 22 February 2024)*
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*

Non-executive Directors

Mr. Au Tat Wai
Mr. Fung Wa Ko

Independent Non-executive Directors

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

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

Except that each of Mr. Fung Pak Kei and Mr. Ho Hon Chung, Ivan, through their wholly-owned companies, indirectly holds 50% of the issued share capital of Ever Achieve Enterprises Limited, a company holding 20,232,313 shares of the Company, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing more than one-third of the Board, of whom Mr. Leung Chi Hung and Mr. Lo Chi Wang are certified public accountants (Practising) in Hong Kong. Mr. Leung Chi Hung has commenced his accountancy professional training since 1976 and is now a member of multiple international accountancy bodies. Mr. Lo Chi Wang has over 19 years of experience in accounting and finance and is now a member of multiple international accountancy bodies.

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

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

Independent View Mechanism

The independent view policy of the Company (the "Independent View Policy") was adopted by the Board and became effective on 1 January 2022.

The Independent View Policy is established to ensure independent views and input are available to the Board.

The Company adopted the director's nomination policy (the "Nomination Policy"). The nomination process of Directors, including Independent Non-executive Directors, is included in the Nomination Policy.

The Board should include at least three Independent Non-executive Directors. At least one of the Independent Non-executive Directors has served less than 9 years on the Board. At least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company must appoint Independent Non-executive Directors representing at least one-third of the Board. The Company shall appoint a sufficient number of Independent Non-executive Directors to meet the minimum number required above within three months after failing to meet the requirement(s).

The Board committees should comprise a majority of Independent Non-executive Directors.

Directors should disclose to the Company at the time of their appointments, and in a timely manner for any changes, the number and nature of offices held in public companies or organisations and other significant commitments. The identity of the public companies or organisations and an indication of the time involved should also be disclosed.

When selecting Independent Non-executive Directors, the candidates' availability should be considered as sitting on a Board involves a significant time commitment. Independent Non-executive Directors must dedicate time to reading materials prior to Board meetings in order to make the hours spent in meetings effective. They also have to learn to understand the Company's complex business and operational details, market forces and future perspectives.

The Nomination Committee should be aware of the factors which may affect an individual's time commitment to the Company.

BOARD OF DIRECTORS (continued)

Independent View Mechanism (continued)

Upon reasonable request, Directors may seek independent professional advice in appropriate circumstances, at the Company's expense. All Directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

The Board was satisfied with the implementation and effectiveness of the Independent View Policy for the year ended 31 December 2023.

The Board shall review the Independent View Policy annually. Any revisions to the Independent View Policy shall be considered and approved by the Board.

Role and Functions of the Board

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

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

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

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year ended 31 December 2023, 1 general meeting and 9 Board meetings were held, in which 4 are regular Board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meetings	Attendance in Board meetings
Executive Directors		
Mr. Fung Pak Kei		
(appointed as Chief Executive Officer on 22 February 2024)	1/1	9/9
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*	1/1	9/9
Non-executive Directors		
Mr. Au Tat Wai	1/1	7/9
Mr. Fung Wa Ko	1/1	7/9
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny *(retired on 25 May 2023)*	1/1	4/6
Mr. Leung Chi Hung	1/1	7/9
Mr. Tse Yuen Ming	1/1	7/9
Mr. Lo Chi Wang *(appointed on 25 May 2023)*	N/A	3/3

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

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

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

BOARD OF DIRECTORS (continued)

Continuing Professional Development

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

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

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

According to the code provision C.1.4 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant.

The Directors confirmed that they have complied with the code provision C.1.4 of the CG Code on the Directors' training. During the year ended 31 December 2023, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	Topics on training covered (Notes)
Executive Directors	
Mr. Fung Pak Kei *(appointed as Chief Executive Officer on 22 February 2024)*	(c)
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*	(c)
Non-executive Directors	
Mr. Au Tat Wai	(b)
Mr. Fung Wa Ko	(c)
Independent Non-executive Directors	
Mr. Fung Siu Kit, Ronny *(retired on 25 May 2023)*	N/A
Mr. Leung Chi Hung	(a), (b), (c)
Mr. Tse Yuen Ming	(b)
Mr. Lo Chi Wang *(appointed on 25 May 2023)*	(a)

Notes:

(a) corporate governance

(b) regulatory

(c) managerial/financial/economic

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise from the corporate activities, which has been complied with the code provision C.1.8 of the CG Code. The insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal

Mr. Au Tat Wai and Mr. Fung Wa Ko, the Non-executive Directors, who were re-elected by the Shareholders in the 2022 annual general meeting, had entered into the letters of appointment with the Company on 26 May 2022.

Mr. Ho Hon Chung, Ivan, an Executive Director and Mr. Tse Yuen Ming, the Independent Non-executive Director, who were re-elected by the Shareholders in the 2021 annual general meeting, had entered into the letters of appointment with the Company on 27 May 2021.

Mr. Fung Pak Kei, an Executive Director, and Mr. Leung Chi Hung, an Independent Non-executive Director, who were re-elected by the Shareholders in the 2023 annual general meeting, and Mr. Lo Chi Wang, an Independent Non-executive Director, who was appointed by the Shareholders in the 2023 annual general meeting, had entered into the letters of appointment with the Company on 25 May 2023.

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

According to the Bye-Laws, any director so appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision B.2.2 of the CG Code.

Mr. Lo Chi Wang was appointed as an Independent Non-executive Director on 25 May 2023. He had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 25 May 2023 and has confirmed that he understood his obligations as a Director.

Chairman and Chief Executive

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

According to the code provision 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 year ended 31 December 2023, there have been no Chairman in the Company. Mr. Ho Hon Chung, Ivan, Mr. Fung Pak Kei and Mr. Cheung Hoi Kin acted as Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Company respectively. Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei are responsible for all day-to-day corporate management matters and Mr. Cheung Hoi Kin is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31 December 2023 there was no meeting held between the Chairman and the Independent Non-executive Directors without the presence of other Directors and the Company did not comply with the code provision C.2.7 of the CG Code.

On 22 February 2024, Mr. Fung Pak Kei has been appointed and re-designated from Chief Operating Officer to Chief Executive Officer of the Group.

BOARD OF DIRECTORS (continued)

Chairman and Chief Executive (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 the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the year ended 31 December 2023, the Company did not comply with code provision F.2.2 of the CG Code. The Company had arranged for other Directors and management who are well-versed in the Company's business and affairs to attend the 2023 annual general meeting and communicate with the Shareholders.

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

COMMITTEES OF THE BOARD

Nomination Committee

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

Mr. Tse Yuen Ming *(Chairman)*
Mr. Leung Chi Hung
Mr. Lo Chi Wang

Director's Nomination Policy

The latest updated version of the Nomination Policy was adopted by the Board and became effective on 1 January 2022 and the Nomination Committee is responsible for execution.

Director Nomination Process

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

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

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

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

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

Director's Nomination Policy (continued)

Procedure for Appointment of New Director

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

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

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

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

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

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

Procedure for Re-appointment of Director at General Meeting

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

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

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

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

Director's Nomination Policy (continued)

Director Selection Criteria

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

1. the highest personal and professional ethics and integrity;

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

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

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

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

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

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

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

Review and Revision

The Nomination Committee shall review the Nomination Policy to ensure the effectiveness of the Nomination Policy annually. The Nomination Committee shall discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

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

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

Nomination of Candidate

In accordance with the Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 84 of the Bye-Laws, Mr. Ho Hon Chung, Ivan, Mr. Fung Wa Ko and Mr. Tse Yuen Ming will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31 December 2023, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

Board Diversity Policy

The latest updated version of the board diversity policy of the Company (the "Board Diversity Policy") was adopted by the Board and became effective on 1 January 2022 and the Nomination Committee is responsible for execution.

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board is committed to maintaining diversity at all levels. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The recruitment and selection practices of the Board are appropriately structured in the Nomination Policy so that a diverse range of candidates are considered.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

1. the number of Independent Non-executive Directors should be not less than three and one-third of the Board;

2. at least one of the Independent Non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and

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

The Board has achieved the measurable objectives under Board Diversity Policy for the year ended 31 December 2023.

The Nomination Committee shall review the Board Diversity Policy annually, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

Board Diversity Policy (continued)

The Nomination Committee also monitors the implementation of the Board Diversity Policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under the Board Diversity Policy. The Nomination Committee reviews the composition of the Board from diversified angles up to the date of this Annual Report and summarised as follows:

		No. of Director
Age group:	35–50	2
	51–60	2
	≥ 61	3
Gender:	Male	7
	Female	0
Educational background:	Hong Kong	2
	Overseas	5
Professional experience:	Professional associated	4
	Entrepreneur/Merchant	3
Length of service (year):	<1	1
	1–10	1
	≥ 11	5
Designation:	Executive Director	2
	Non-executive Director	2
	Independent Non-executive Director	3

The Board will not consider diversity to be achieved for a single gender Board. The Company will appoint at least a Director of a different gender on the Board no later than 31 December 2024. To achieve this objective, the Board has been developing a pipeline of potential successors by providing more training and opportunity to female members of the management.

Workforce Level

The Group's core business is engaged in the operations of cold storage and logistics services. Our business also provides customers in this segment with a host of ancillary services, from transportation to distribution, container hauling and devanning, packaging and logistics services. Due to the uniqueness of the industry, traditionally most of the Company's employees are males.

The details of workforce composition in our cold storage and logistics services business were disclosed under Environmental, Social and Governance Report in this Annual Report. Setting a measurable objective for achieving gender diversity at workforce level is not yet suitable for cold storage and logistics services industry at current stage.

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 30 June 2005 with adoption of its terms of reference on 12 July 2005. In order to comply with the CG code, the latest terms of reference of the Remuneration Committee were amended and approved on 1 January 2023. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

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

Mr. Lo Chi Wang *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

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

Remuneration package for Executive Directors:

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

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

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

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

Details of the amount of Directors' emoluments during the financial year ended 31 December 2023 are set out in note 10 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and note 29 to the consolidated financial statements.

During the year ended 31 December 2023, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Reviewed the current remuneration policy of the Group and made recommendation to the Board;

- Reviewed the remuneration package of the board members of the Group and made recommendation to the Board;

- Reviewed the achievement of performance of each of the grantees of the share options granted on 4 May 2022. The key performance indicators for the grantees have been met and the granted share options were exercisable; and

- Reviewed the remuneration package of Mr. Lo Chi Wang, who has been appointed as an Independent Non-executive Director in the 2023 annual general meeting.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

Remuneration Policy

The latest updated version of the remuneration policy of the Company (the "Remuneration Policy") was adopted by the Board on 1 January 2022.

Quality and committed staff are valuable assets contributing to the Group's success. To ensure the ability to attract and retain talents, the Remuneration Policy is built upon the principles of providing equitable and market-competitive remuneration package that support the performance culture and enable the achievement of strategic business goals. The Remuneration Policy is, therefore, aiming at being competitive but not excessive.

The remuneration structure is designed to ensure that there is an appropriate balance of fixed and variable rewards, which include both short-term and long-term incentives, and is weighted towards performance-related elements that take into account individual, functional and corporate performance. No one should be involved in deciding his or her own remuneration.

The Remuneration Committee has been delegated to make recommendations to the Board on the remuneration packages of individual Executive Directors and Non-executive Directors.

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

Salaries should be reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends. In addition to basic salary, Executive Directors of the Group are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

The remuneration for the Non-executive Directors (Remark: including Independent Non-executive Directors) comprises directors' fee and are not covered by any type of incentive or performance-related remuneration for now.

The objective of remunerating Non-executive Directors is to ensure that there is an appropriate level of remuneration to attract and retain experienced people of high caliber to oversee the Group's business and development. Their remuneration is reviewed annually with reference to companies of comparable business or scale, and any changes are subject to Board approval.

Executive Directors and Non-executive Directors are eligible participants of the Share Option Scheme.

The Remuneration Committee shall review the Remuneration Policy, to ensure the effectiveness of the Remuneration Policy annually. The Remuneration Committee shall discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

COMMITTEES OF THE BOARD (continued)

Audit Committee

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

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:
Mr. Leung Chi Hung *(Chairman)*
Mr. Lo Chi Wang
Mr. Tse Yuen Ming

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

During the year ended 31 December 2023, the Audit Committee had performed the following work:

1. Financial Reporting

    - reviewed the audited annual consolidated financial statements for the year ended 31 December 2022 in conjunction with the external auditor and the unaudited interim consolidated financial statements for the 6 months ended 30 June 2023;

    - reviewed the unaudited quarterly consolidated financial statements for the 3 months ended 31 March 2023 and 9 months ended 30 September 2023;

    - reviewed the financial and accounting policies and practices adopted by the Group;

    - reviewed the auditing and financial reporting matters, including the key audit matters of the consolidated financial statements for the year ended 31 December 2022 which are set out in the annual report of the Company for the year ended 31 December 2022;

    - reviewed the audit planning for the year ended 31 December 2023 in conjunction with the external auditor;

2. External Auditor

    - reviewed and approved the remuneration of external auditors of the Company;

    - reviewed the re-appointment of external auditor of the Company and was satisfied with their work, their independence, and their objectivity, and therefore recommended the re-appointment of Mazars CPA Limited (which had indicated their willingness to continue in office) as the Group's external auditor for Shareholders' approval at the 2023 annual general meeting;

COMMITTEES OF THE BOARD (continued)

Audit Committee (continued)

3. Internal Audit

   - reviewed the effectiveness of the internal audit function performed by independent professional adviser;

4. Risk Management and Internal Controls

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

   - reviewed the effectiveness of risk management and internal control systems.

Each member of the Audit Committee has unrestricted access to the auditors and all management of the Group. During the year ended 31 December 2023, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Mazars CPA Limited the casual vacancy, Certified Public Accountants and Registered Public Interest Entity Auditor, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 21 February 2024, the Audit Committee reviewed the risk management and internal control review report. At the meeting held on 26 March 2024, the Audit Committee reviewed the Directors' report and audited consolidated financial statements for the year ended 31 December 2023 together with the annual results announcement, with a recommendation to the Board for approval.

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year ended 31 December 2023:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Fung Siu Kit, Ronny *(retired on 25 May 2023)*	3/3	2/2	2/2
Mr. Leung Chi Hung	7/7	2/2	2/2
Mr. Tse Yuen Ming	7/7	2/2	2/2
Mr. Lo Chi Wang *(appointed on 25 May 2023)*	4/4	N/A	N/A

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

COMMITTEES OF THE BOARD (continued)

Corporate Governance Functions

According to code provision A.2 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28 March 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in Appendix C1 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31 December 2023, the Board has held 2 meetings for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31 December 2023. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditor of the Company, Mazars CPA Limited, about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 68 to 71.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a written securities dealing policy which contains a set of code of conduct regarding securities transactions by Directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules (the "Securities Dealing Policy").

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year ended 31 December 2023. No incident of non-compliance was noted by the Company during the year ended 31 December 2023.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditor is Mazars CPA Limited for the year ended 31 December 2023 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31 December 2023 have been audited by Mazars CPA Limited.

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

For the year ended 31 December 2023, the external auditor of the Group provided the following services to the Group:

	2023 **HK$'000**	2022 HK$'000
– Audit service	**1,300**	1,300
– Non-audit service	**–**	–
Total	**1,300**	1,300

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the "RM and IC Systems") of the Group and reviewing its effectiveness through the Audit Committee. The Board has delegated its audit committee to review the Group's risk management and internal control matters every half-year. The RM and IC Systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company's objectives can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has an effective financial reporting system including the adequacy of resources, qualified and experienced staff and its training programmes and budget of the Group's accounting and financial reporting function.

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

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

The latest updated version of the whistle blowing policy of the Company (the "Whistle Blowing Policy") was adopted by the Board on 1 January 2022. The Whistle Blowing Policy is intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. For details of the Whistle Blowing Policy, please refer to the Company's website. No case of whistleblowing was noted by the Audit Committee during the year under review.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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

The Board sets the risk management objectives through board meetings from time to time. The Group has adopted a series of internal control measures including the strengthening of reporting lines to management. As a routine procedure and part of the RM and IC Systems, Executive Directors and the management meet regularly to review the financial and operating performance of the key operating subsidiaries. Management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation status of strategies and policies set by the Board on a regular basis.

To further strengthen the risk management and internal control of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent assessment of the adequacy of certain subsidiaries' RM and IC systems. The Internal Control Advisor has conducted a review and made recommendations to improve the effectiveness of the Group's RM and IC Systems.

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

During the year ended 31 December 2023, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year RM and IC systems assessment plan, and focused on reviewing (i) the operational control of the cold storage and related service 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) 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 year ended 31 December 2023, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. Moreover, the existing RM and IC Systems are effective and adequate, and will continue to be reviewed, added on or updated to provide for changes in the operating environment.

COMPANY SECRETARY

All Directors have access to the advice and services of our Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, our Company Secretary is responsible for facilitating communications among Directors as well as with the management. Mr. Cheung Hoi Kin has been appointed as Company Secretary since 5 June 2020. According to the Rule 3.29 of the Listing Rules, Mr. Cheung Hoi Kin has taken no less than 15 hours of relevant professional training for the year ended 31 December 2023.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

4. By email at irelations@daidohk.com.

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

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

Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening a special general meeting following the procedures as set out in the paragraph above.

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

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

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

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

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

Shareholders Communication Policy

The latest updated version of the shareholders communication policy of the Company (the "Shareholders Communication Policy") was adopted by the Board on 1 January 2022.

The Company aims at establishing a two-way relationship between the Company and the Shareholders and promoting and facilitating continuous effective communication with the Shareholders. The objective of the Shareholders Communication Policy is to ensure that the Company provides timely, clear, reliable, material and comprehensive information for the Shareholders in exercising their rights as Shareholders in an informed manner. A dedicated section is available on the Company's website (https://www.irasia.com/listco/hk/daido/index.htm / https://www.daidohk.com).

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at general meetings for and on their behalf if they are unable to attend the general meetings.

The Company regards the annual general meeting as an important event in the financial year. All Directors and senior executives make a special effort to attend the annual general meetings. The chairman of the Board shall attend the annual general meetings. (Remark: as there have been no Chairman in the Company, the Company has arranged one of the Executive Directors acting as the general meeting chairman (the "Chairman")). The Chairman shall invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend the annual general meetings. In their absence, the chairman shall invite another member of the committee or failing this their duly appointed delegate, to attend the annual general meetings. These persons shall be available to answer questions at the annual general meetings. The management of the Company shall ensure the external auditor attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The chairman of the independent board committee (if any) shall be available to answer questions at the general meetings to approve a connected transaction or any other transaction that requires independent shareholders' approval.

For each substantially separate issue, in particular on the financial statements and election or re-election of Directors, at the general meetings, a separate resolution shall be proposed. The Company shall avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", the Company shall explain the reasons and material implications in the notice of the general meetings.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

Shareholders Communication Policy (continued)

The Chairman shall ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from Shareholders on voting by poll.

The Company shall give the Shareholders reasonable notice of general meetings. "Reasonable written notice" normally means at least 21 days for an annual general meeting and at least 14 days for other general meetings. This is unless it can be demonstrated that reasonable written notice can be given in less time. The Company shall ensure that notice of the general meetings is published on the websites of the Company and the Stock Exchange.

The Company shall despatch a circular to the Shareholders at the same time as (or before) the Company gives notice of the general meetings to approve the transaction referred to in the circular.

The Company shall provide the Shareholders with any material information on the subject matter to be considered at a general meeting that comes to the Directors' attention after the circular is issued. The Company must provide the information either in a supplementary circular or by way of an announcement not less than 10 business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this 10 business days requirement by the chairman or, if that is not permitted by the Company's constitutional documents, by resolution to that effect.

The Company shall send to the Shareholders a copy of its annual report including its annual accounts and, the group accounts, together with a copy of the auditors' report thereon, (or its summary financial report) not less than 21 days before the date of the Company's annual general meetings and in any event not more than 4 months after the end of the financial year to which they relate.

In respect of each of the first 6 months of each financial year, the Company shall send to the Shareholders a copy of its interim report (or its summary interim report) not later than 3 months after the end of that period of 6 months.

The Company shall send with the notice convening a meeting of Shareholders to all persons entitled to vote at the meeting proxy forms, with provision for two-way voting ("for" or "against") on all resolutions intended to be proposed thereat.

Shareholders shall direct their questions about their shareholdings to the Company's share registrar or the Company's branch share registrar and transfer office in Hong Kong.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available.

The Shareholders Communication Policy shall not prevail over the Bye-Laws.

The Bye-Laws regulating the right of the Shareholders and the proceedings of the meetings of the Shareholders, so far as the same are applicable and not inconsistent with the provisions of these regulations, shall be applicable.

The Board shall review the implementation and effectiveness of the Shareholders Communication Policy and its effectiveness annually.

The Company recognises the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

Shareholders Communication Policy (continued)

The Board has reviewed the Shareholders Communication Policy and its effectiveness for the year ended 31 December 2023. The Company has provided appropriate communication channels to the Shareholders in accordance with the Shareholders Communication Policy and therefore the existing Shareholders Communication Policy is appropriate to the Company.

DIVIDEND POLICY

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

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

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

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

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

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

ANTI-CORRUPTION POLICY

The anti-corruption policy of the Company (the "Anti-corruption Policy") was adopted by the Board and became effective on 1 January 2022.

Integrity, honesty, fairness, impartiality, and ethical business practices are important core values of the Group. The Group is committed to upholding high standards of business integrity, honesty and transparency in all its business dealings. The Group strictly prohibits any form of fraud or bribery, and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and bribery.

For details of the Anti-corruption Policy, please refer to the Company's website.

SCOPE AND REPORTING PERIOD

This is the Environmental, Social, and Governance (the "ESG") report by Daido Group Limited (the "Group"), highlighting its sustainability approaches, practices and performance for the period from 1 January 2023 to 31 December 2023 (the "Reporting Period"), with disclosure references made to the ESG Reporting Guide as described in Appendix C2 of the Rules Governing the Listing of Securities on the SEHK.

The Group is principally engaged in cold storage and related services business and trading and sales of food and beverage business. It provides customers in this segment with a host of ancillary services, from transportation to distribution, container hauling and devanning, packaging and logistics services.

This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social aspects of the business operations in Hong Kong, including its core cold storage and logistics businesses covering the following two operation points in Hong Kong:

- Warehouse 1, No. 8 Kwai Hei Street, Kwai Chung, New Territories;

- 8/F, China Merchants Logistics Centre, 38 Hong Wan Road, Tsing Yi, New Territories.

Since the Group ceased to operate the renting service of bonded Warehouse at Modern Terminals Warehouse Phase II, Berth One, Kwai Chung Container Terminal, Kwai Chung, New Territories, this operation is excluded in the Reporting Period. The e-commerce platform (Urban Mart – content-driven shopping platform for daily products) in Hong Kong and its herbal tea brand (Attitude Planet) in Mainland China are still excluded in the Reporting Period as these businesses had no significant impact on the Group's ESG impact.

REPORTING PRINCIPLES

The preparation of this ESG Report applied the following principles:

Materiality – materiality assessments have been carried out to identify material environmental and social issues that have major impacts on investors and other significant stakeholders, the processes involved have been verified by the Board and the results of the engagement process are presented in the "Stakeholder Engagement and Materiality" section in this report.

Quantitative – key performance indicators ("KPI"s) have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed where applicable.

Balance – performance of the Group was presented impartially, avoiding choices, omissions or presentation formats that may unduly influence readers' decisions or judgements.

Consistency – consistent statistical methodologies and the presentation of KPIs have been used to allow meaningful comparisons related to data over time.

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Management message

In recent years, businesses all over the world have been greatly affected by the Covid-19 pandemic. We have learnt the lesson that to withstand difficult macroeconomic situations, sustainability is the key to success. At the same time, stakeholders are increasingly nudging corporations to consider sustainability factors when doing business. As a corporate citizen, the Group recognises this and continues to make sustainability its operational focus. We are dedicated to improving our sustainability performance in our operations.

We understand that sustainability governance is the foundation of a successful operation. The Board is, therefore, responsible for setting our strategic direction, ensuring that our ESG strategy reflects the Group's values and core businesses. In the future, the Board will review the progress made against ESG-related goals to guide the Group in monitoring its ESG performance, and also review the mitigating measures to cope with the challenges brought by climate-related risks.

We care about the communication between the Group and stakeholders. To better understand the demands and expectations of our stakeholders, we invite employees, suppliers, and clients to participate in a survey to maintain effective communication, allowing us to better accommodate their needs. By embedding sustainability in our business concept, we create greater value for both our stakeholders and society. Without the contribution of our employees, customers, business partners and communities, it would not have been possible for Daido to have achieved so much.

The Group also tries to leverage its expertise in helping local communities to flourish by offering special discounts to a local food charity by storing food in its cold storage facilities, helping to reduce food waste as well as giving support to people in need.

Looking ahead, to tackle future challenges, we will continue to drive our sustainability performance and further incorporate sustainability into our core strategy. This report sets out our sustainability practices and approaches throughout the past year. We hope this report will provide our stakeholders with an overview of our sustainability performance.

Ho Hon Chung, Ivan
Executive Director
Daido Group Limited

THE BOARD STATEMENT

Sustainability and ESG factors are now more important than ever.

Sound corporate governance forms the foundation of the Group's operations. The Board is committed to the long-term sustainability of the environment and the community surrounding its operations. The Board understands that ESG matters may threaten the organisation's shareholder value, reputation, supply chain, and other issues that may affect sustainability; and business sustainability is critical to the long-term trust that the Group has built with the public. The Board is responsible for ESG strategic direction and ensuring that this strategy reflects the Group's values and core business issues. The Group cares about the impact of its daily operation on the environment and society, and strives to set a good example for the public while conducting business operations. The Board reviewed the progress against ESG-related goals, monitored the Group's ESG performance and discussed the latest disclosure requirements of the ESG report in the annual Board meeting. Apart from setting environmental goals, the Board has also initiated other ESG initiatives to contribute towards a better environment.

Governed by the Group's Risk Management policy, a set of systematic risk management practices has been put in place to ensure that the financial and operational functions, compliance mechanisms, material control and risk management operate efficiently. With the Audit Committee's priority in formulating risk management strategies, the Board is responsible for evaluating and determining the Group's ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Board recognises ESG risks and engages in appropriate environmental practices. It complies with the laws and regulations covering environmental protection, as well as adopting measures to achieve more efficient use of resources, increased energy conservation, and waste reduction. For detailed information on climate-related risks and opportunities identified by the Board, please refer to the "A4. Climate Change" section.

The Board makes an effort to meet the interests of all stakeholders, be it economically, environmentally, socially and with good corporate governance and strives to strike a fine balance. The Group has been engaging with its stakeholders to deliver more sustainable outcomes and services that align with their expectations. The Group also encourages internal communication and peer review for managers and employees to further understand the needs of one another.

Moving forward, the Group will make great efforts to facilitate its business sustainability, adopt various effective ESG-related initiatives and establish good connection with all of its stakeholders. Starting from the coming financial year, the Group plans to participate in ESG-related programme actively in order to help improving its ESG performance and satisfying stakeholders needs continuously.

Following HKEx's rules and guidelines strictly

- Material issues were identified in line with the provisions of the ESG guide
- Issues and matters regarded as important to stakeholders were disclosed publicly and transparently and communications improved

Taking environmental advice from the Hong Kong government

- Waste management suggestions by the government were being listened and adopted

Establishing effective and open relationships with stakeholders

- Communication channels were set up for the Group to hear the voices of various stakeholders, including investors, employees, customers, etc.

Creating an engaging working environment

- Efforts were put into making a comfortable, healthy, and nurturing office
- Internal celebratory activities were held for employees to bond

Improving communications with customers

- Products and internal procedures of the sales process were reviewed to better cater to customers' needs
- Customers' feedback was listened to and responded to in a quick manner to enhance trust

CERTIFICATIONS

The Group has obtained the following Management systems during the Reporting Period:

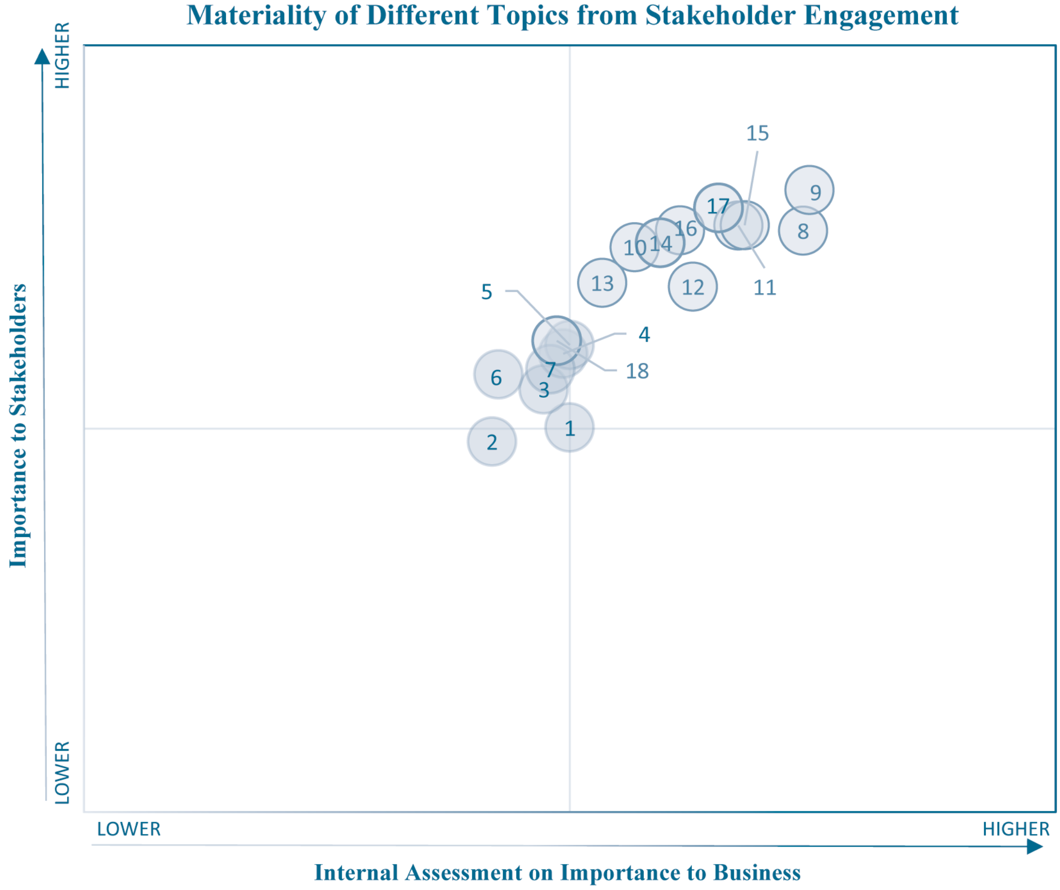
- ISO9001:2015 Quality Management System. The Group is eligible to use the HKCAS Accreditation Symbol ("HKCAS Symbol") of this quality management system on its stationery, promotion materials and advertisements.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group engages with stakeholders such as employees, customers, suppliers, shareholders, directors, NGOs, local communities, trade unions, and other civil organisations in society to understand and address the various needs and concerns of stakeholders. The Group communicates with key stakeholders, utilising formal stakeholder surveys to identify the most significant ESG aspects, which is followed by a materiality assessment.

The Board reviews ESG-related topics annually in the Board meeting. The Board will take immediate action if ESG-related issues are discovered that seriously affect the Group's business operation.

Materiality of Different Topics from Stakeholder Engagement



Environmental		Social	
1	Energy	8	Employment
2	Water	9	Occupational Health and Safety
3	Air Emissions	10	Development and Training
4	Effluents and Waste	11	Labour Standards
5	Other Raw Materials Consumption	12	Supply Chain Management
6	Environmental Protection Policies	13	Intellectual Property Rights
7	Climate Change	14	Data Protection
		15	Customer Service
		16	Product/Service Quality
		17	Anti-Corruption
		18	Community Investment

The matrix indicates that external stakeholders, such as the Group's employees, customers, and suppliers, had a similar levels of concern for most topics. Some topics had been determined to be significantly more important than others from the Group's point of view. Similar with last year's stakeholder survey result, the six most material topics in the Reporting Period that the business shall focus on are as follows:

- Occupational Health and Safety
- Employment
- Customer Service
- Labour Standards
- Anti-Corruption
- Product/Service Quality

As the above topics were all important in the view of the Group's management level, these aspects had mostly been addressed and respective measures and initiatives have been put in place. The Group will continue to invest in financial and non-financial resources to strengthen the management of the above material topics. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group's ESG management.

ESG risks are an increasingly important factor amongst stakeholders, and hence these risks are being managed to protect the value and allow for revenue-generating opportunities in the reporting period and future. The Group has become aware of these risks through stakeholder engagement, analysis conducted by the task force, and board discussion of analysis with management.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on the ESG approach and performance by giving suggestions or sharing views via email at: irelations@daidohk.com.

A. ENVIRONMENTAL

The Group is dedicated to striving towards long-term sustainability of the environment and the surrounding community in which it is located. To behave in an environmentally friendly and responsible manner, the Group ensures to comply with laws and regulations of environmental protection including but not limited to the Environmental Impact Assessment Ordinance and Waste Disposal Ordinance. The Group strives to enforce effective measures that enable successful energy conservation, waste reduction, and the most efficient use of resources.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste have been identified during the Reporting Period.

A1. Emissions

A1.1 Air Emissions

The group operates a fleet of vehicles. Their combustion generated several air emissions ("non-GHG"), including nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and respiratory-suspended particles ("PM").

Air emissions (non-GHG) from gasoline and diesel consumption for group-owned vehicles

	2023	2022	2021
SO_x (kg)	**2.83**	2.96	3.70
NO_x (kg)	**1,689.86**	1,966.61	2,092.75
PM (kg)	**121.5**	141.4	150.5

Note: Emission factors for calculations on environmental parameters were made with reference to Appendix C2 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

A1.2 Greenhouse Gas (GHG) Emissions

GHG emissions were generated directly from the consumption of mobile fuel (i.e. gasoline and diesel for group-owned vehicles). Indirect GHG emissions were also generated from the consumption of purchased electricity. There was no business air travel during the Reporting Period.

During the Reporting Period, 5,179.40 tonnes of carbon dioxide equivalent (tCO_2eq) GHG (mainly CO_2, CH_4 and N_2O) were emitted from the Group's operations. The overall intensity of the GHG emissions was 0.12 tCO_2eq/m^2, or 32.99 tCO_2eq/employee. See Table 1 for the contribution of GHG emissions across scopes and activities.

Table 1. Sources of GHG Emissions during the Reporting Period

Scope of GHG emissions	Emission sources	GHG Emission (2023) (in tCO_2eq)	GHG Emission (2022) (in tCO_2eq)
Scope 1 Direct emissions	Combustion of fuel (gasoline and diesel) in mobile sources	**466.30**	488.03
	Release of refrigerants from the operation of equipment and systems	**416.06**	25,624.26
Scope 2 Energy indirect emissions	Purchased electricity	**4,284.09**	4,261.73
Scope 3 Other indirect emissions	Paper waste disposed at landfills	**9.88**	2.24
	Electricity used for processing fresh water by government departments/third parties	**2.04**	0.40
	Electricity used for processing sewage by government departments/third parties	**1.03**	0.20
Total		**5,179.40**	30,376.86

Note 1: Emission factors for calculations on environmental parameters were made with reference to Appendix C2 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.

Note 2: Scope 3 GHG emissions were calculated based on available emission factors referred by the Appendix C2 to the Listing Rules and their referred documentation.

A1.3 Hazardous Waste

The Group generated an approximate total of 66 kg of hazardous waste during the Reporting Period, of which the intensity was 0.0016 kg/m^2, or 0.42 kg/employee. Due to the regular office clean up and depreciation of some of the IT equipment, the amount of hazardous waste was significantly increased. However, all of the hazardous waste were recycled and handled properly by qualified third party.

Table 2. Hazardous Waste Generation during the Reporting Period

Hazardous Waste Type	Annual disposal amount	Treatment of Waste
Fluorescent lamps	66 kg	Sent to a qualified recycling plant
IT equipment	approximately 150 PCs	Recycled by the third party

Note: The calculation of the overall total amount of hazardous waste is limited as the weight data of IT hazardous waste is not available.

A1.4 Non-hazardous Waste

The Group generated an approximate total of 3,793.98 kg of non-hazardous waste during the Reporting Period, of which the intensity was 0.09 kg/m^2, or 24.17 kg/employee. Waste was generated from office consumption, domestic waste and packaging materials from suppliers and other factories.

Table 3. Non-hazardous Waste Generation during the Reporting Period

Non-hazardous Waste Type	Annual disposal amount (kg)	Treatment of Waste
Domestic refuse (including general office waste and non-office paper waste)	3,271.60	Handled by the third-party disposal service company
Office Paper waste	2,058.38	Handled by the third-party disposal service company
Paper Recycled	(1,536)	Recycled
Total	**3,793.98**	

A1.5 Measures to Mitigate Air and GHG Emissions

The GHG emissions, generated from our daily electricity consumption and use of motor vehicles, are the main source of the Group's carbon footprint. The Group will continue to monitor and disclose the Group's carbon footprint to control the impact of our daily operations on the environment.

The Group has implemented the GHG emissions reduction measures to reduce GHG emissions:

- Install high-performance vehicles or machinery wherever possible;
- Replace older, less efficient vehicles with newer, more fuel-efficient vehicles that comply with the Euro VI emissions standards;
- Realign the routes of transportation to maximise the cost effectiveness and keep the emission of pollutant at the lowest level;
- Use LED lighting in our workplace and office if possible;
- Utilise aluminium-free gasoline as fuel for private car use;
- Switch off idling vehicles according to the rules and regulations;
- Turn off lights and unnecessary energy devices to reduce energy consumption and avoid unnecessary energy waste;
- Turn off unused equipment such as computer equipment when leaving the office;
- Deploy natural light as much as possible on office floors;
- Set the air-conditioners' temperature to around 24–26 degrees, which is an energy-saving level;
- clean the air-conditioners' filter regularly to maximise the effectiveness of the cooling system;
- Use online/telephone conferences and reduce local and overseas travelling as much as is practical;
- Adopt an air-cooling system instead of the water-cooling system;
- Install an electric vehicle charging station at the car park to encourage the use of electric vehicles; and
- Participate in the Shell's Global Carbon Credit Program and obtain a carbon credits retirement certificate.

The Group has set a target of reducing air emissions by 5%–8% within 10 years, with 2021 as the base year, and reducing GHG emissions intensity by 5%–8% within 9 years, with 2022 as the base year.

Indicator	2021 baseline (kg)	2023 (kg)	2031 Target
Air emissions (NO_x, SO_x and PM)	NO_x: 2,092.75 SO_x: 3.70 PM: 150.50	**NO_x: 1,689.86** **SO_x: 2.83** **PM: 121.52**	Reducing air emissions by 5%–8% within 10 years, of which 2021 is the base year.

Indicator	2022 baseline	2023	2031 Target
The total GHG emissions intensity (tCO_2eq/m^2)	0.73	**0.12**	Reducing GHG emissions intensity by 5%–8% within 9 years, with 2022 as the base year.

During the Reporting Period, the amount of NO_x, SO_x and PM emitted from the Group's vehicles are reduced by 14%, 5% and 14% respectively compared with the previous reporting period. The total GHG emissions intensity in tCO_2eq/m^2 decreased by 83% compared with the previous reporting period. A significant decrease in amount of GHG emissions derived from refrigerants is also another factor that contributes to lower GHG emissions in the Reporting Period. Although the Group has operated the new refrigerant system since 2022, the system no longer supports the use of the natural refrigerants, the Group committed to using environmentally friendly refrigerants continuously in order to reduce GHG emissions.

A1.6 Waste Handling and Reduction Initiatives

The Group reuses and recycles materials whenever possible to achieve higher levels of waste reduction and resource conservation.

In the office, the Group has introduced a variety of strategies to strive for a more environmentally friendly workspace. The HKSAR will adopt the domestic waste charging policy, so the Group responded actively to strengthen the effectiveness of waste reduction in its business operations. During the Reporting Period, the Group has discussed pay-as-you-throw issue in the meeting and adopted more corresponding measures for minimising waste disposal from the Group's business operation. The Group has implemented the following measures for reducing waste:

- Promote the use of e-copy documentation rather than physical copies wherever possible;
- Use electronic communication channels (e.g. e-fax, emails) instead of traditional communication channels (e.g. fax, mail) if possible;
- Promote a "think before you copy" attitude. Print only the number of copies needed for the meeting;
- Share documents with co-workers;
- Arrange with the supplier to collect toner cartridges for recycling;

- Arrange with the waste recycling company to collect wastepaper;
- Adopt double-sided printing wherever possible;
- Cooperate with a waste management company to inspect and manage domestic waste in warehouses. Recyclable wastes, including carton boxes and plastic films, waste light bulbs and light tubes are collected for recycling;
- Encourage recycling habit by increasing the number of recycling boxes throughout different points in the office area;
- Provide reusable tableware at the canteen and pantry;
- Encourage employees to bring their own reusable tableware.

Indicator	2021 baseline	2023	2031 Target
The total waste generation intensity (kg/m^2)	0.13	**0.08**	A reduction in waste generation intensity of 5–8% within 9 years, with 2021 as the base year.

The Group has targeted a reduction in waste generation intensity of 5–8% within 10 years, of which 2021 is the base year, by collecting used paper and sending it to reputable recyclers and encouraging colleagues to reduce their food wastage by consuming responsibly. Compared with the base year, the waste generation intensity in kg/m^2 was reduced by 42%. The Group strives to review and improve the waste reduction measures continuously in order to achieve the waste reduction target in the long term.

A2. Use of Resources

A2.1 Energy Consumption

During the Reporting Period, direct electricity consumption by the Group was 10,984.85 Megawatt-hour (MWh). The total consumption of petrol and diesel were 12,797 and 163,836 litres respectively, which equals 124.02 and 1,753.58 MWh respectively after conversion. The total amount of energy consumed was therefore an equivalent of 12,862.45 MWh (electricity, diesel and petrol combined), with an intensity of 0.31 MWh/m^2, and 81.93 MWh/employee.

		Energy Consumption (MWh)		
		2023	2022	2021
Direct energy	Gasoline & Diesel	**1,877.60**	1,968.1	2,454.25
Indirect energy	Electricity	**10,984.85**	10,927.50	7,947.83
Total energy consumption		**12,862.45**	12,895.60	10,402.08
Energy intensity (MWh/m^2)		**0.31**	0.31	0.26

A2.2 Water Consumption

The total water consumption for the Group was 4,700 m^3, with an intensity of 0.11 m^3/m^2 and 29.94 m^3/employee. Water was sourced from municipal tap water. No issues on sourcing water were reported during the Reporting Period.

A2.3 Energy Use Efficiency Initiatives

To consume energy more efficiently, the Group has implemented certain policies within the office. It also continues to promote energy-saving behaviour among employees focusing on various aspects. The measures are as follows:

- Use energy-efficient appliances;
- Ensure that the central air conditioning in the office is kept at a temperature of between 24°C and 26°C;
- Arrange regular air-conditioning repair and maintenance to ensure maximum efficiency;
- Turn off lighting when natural lighting is available or during low occupancy periods;
- Set up computers to go into standby or sleeping mode when idle for a certain amount of time;
- Turn off unnecessary technology (including monitors and CPUs) after office hours;
- Use smart electricity meters throughout the premises to reduce electricity consumption during peak hours;
- Subdivide the cold storage warehouse to optimise control over room temperature to increase energy efficiency.

The Group has participated in a Feed-in-tariff Scheme ("FiT Scheme") launched by CLP Power Hong Kong Limited. The scheme supported the development of renewable energy in the Group's business operation, and reduced electricity consumption from the grid. Starting from 2021, solar power renewable energy system ("Solar Panel System") has been installed at the warehouse. There were totally 201,410 kWh of electricity generated by the solar power renewable energy system. By harnessing the savings from solar power and also optimising energy use within the warehouse, the Group looks forward to the reduction in electricity consumption to be achieved in the near future.

Indicator	2022 baseline	2023	2031 Target
The total energy consumption intensity (MWh/m^2)	0.31	**0.31**	A 5%–8% reduction in energy consumption intensity over the next 10 years, of with 2022 as the base year.

The Group has set a target of a 5%–8% reduction in energy consumption intensity over the next 9 years, with 2022 as the base year. The total energy consumption intensity in MWh/m^2 remained unchanged compared with the previous reporting period. The Group strives to review and improve energy-saving measures continuously in order to achieve the energy-saving target in the long term.

A2.4 Water Use Efficiency Initiatives

To reduce water consumption, the Group has established a water reuse system to recycle water run-off from the refrigerated warehouses. This initiative saves approximately 20 m^3 per day. In addition, the Group actively monitors daily water consumption and acts promptly to repair any leaking systems on the premise. Additionally, the Group has installed an environmentally friendly air-cooling system to replace the existing water-cooling system.

In recent years, one of the water meter has ceased its original function of ice making and cold storage, and the Group is applying for the government's approval of a change in use of this water meter. According to the materiality matrix, water consumption is not regarded as material to the Group. Besides, the above-mentioned water meter was temporary used for regular cleansing during the Reporting Period, and the official use of this water meter is still pending approved, no water efficiency target is set during the Reporting Period. However, the Group strives to review and improve water-saving measures continuously.

A2.5 Packaging Material

The packaging materials used in the Group are biodegradable and recyclable. All the waste plastic films are collected and then further handled by waste recycling companies.

A total amount of 15.42 tonnes of packaging materials was purchased during the Reporting Period, which increased by 35% compared with last year. A high demand for commodity transportation in the new operation point of Tsing Yi warehouse required a large amount of shrink-wrap, so it results in a significant increase in packaging material consumption.

Table 4. Packaging Materials Purchased during the Reporting Period

Type of Packaging Material	Application of Packaging Material	Annual Consumption (kg)
Shrink-wrap	Product wrapping	15,421

A3. The Environment and Natural Resources

A3.1 Significant Impacts of Activities on the Environment

As the Group is not involved in the mining, chemical, or oil and gas industry, its business operation does not have a significant impact on the environment and natural resources. However, the Group acknowledges its environmental impact, such as the depletion of the ozone layer caused by the use of refrigerants, so the Group explores environmentally friendly alternatives actively. The detailed reduction measures of air pollutants, GHG emissions, water consumption and energy consumption are stated in sections A1.5, A1.6, A2.3 and A2.4. The Group strictly abides by the relevant environmental laws and regulations in its daily operations.

A4. Climate Change

Governance of Climate-related Risks Management

The Board focuses on managing the risks brought by climate change, integrating ESG, including climate-related issues into the corporate governance process, improving board-level supervision, and leading the management to cope with the climate risk in the existing business processes and the impact on the Group's overall strategy. The climate-related risks management has been integrated into the Group's risk management system. The Board has the responsibility to monitor the effectiveness of its climate-related risks management, discuss, report and formulate related measures within the risk management process, such as the Board meetings, and formulate emergency plans according to the risks identified in order to strengthen its ability to cope with the negative impacts brought from extreme weather emergency conditions. The Group strives to ensure normal production and operations, and maintain the safety of public security and employees' life and property. For detailed information about the ESG governance of the Group, please refer to "The Board Statement" section.

Climate-related Risks Management

An ESG risk assessment was conducted based on assessing the possibility and impact of each identified risk into three levels: high, medium and low. Risks are then classified into three overall risk levels, high, medium and low based on the possibility and impact ratings.

Risk levels	Definition of the overall risk levels
High	Risks at this level may have serious consequences. There will highly likely be some impacts on the Group and hindrances for the Group to achieve strategic goals.
Medium	Risks at this level may have serious consequences, but they are less likely to occur. Conversely, the consequences could be minor in nature, but the probability of occurrence is higher.
Low	Risks at this level have limited harm and consequences for the Group to achieve its strategic goals, and the probability of occurrence is low.

The Group's Climate-related Risks identification

A warming planet creates a wide range of risks for businesses, from disrupted supply chains to rising insurance costs to labour challenges. With the increasing threat of climate change and the associated physical damage, change in market perception and shift in preference of the public towards more environmentally friendly products and services, the financial, reputational and strategic risk implications are becoming increasingly prominent. The risks derived from climate change will undoubtedly be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the climate-related risks and opportunities by using the following matrix.

Physical and Transition Risks:

Climate-related Risk	Time Horizon	Potential financial impacts	Risk level
		Physical Risks	
Extreme weather	Short term and Long term	Extreme weather events, such as typhoons, storm surges and rainstorms, may cause physical damage to infrastructure and operations, and failure of technology and equipment incur costs on recovery and repair. Recovery and repair can take months or even years.	High
		Transition Risks	
Tightening of climate-related policies	Long term	Tightened environmental policies increase the cost of fulfilling such requirements. It might also raise the operating costs, insurance costs and penalties for noncompliance.	Medium
Cost to transition to lower emissions technology	Medium term	Substitution of existing technology and equipment with lower emissions or resource-saving options to comply with the new energy and sustainability standards incur investment and maintenance costs.	Medium
Changing customer behaviour	Medium term	A change in customer or user behaviour and preferences leads to a loss in customer and income if there is a failure to meet stakeholders' expectations on climate risk management and goals.	Medium
Reputation Risk	Medium term	The change in customer or user preferences may increase the chance of receiving negative stakeholder feedback about the existing logistic services. It may affect the reputation of the Group.	Medium

Measures to Cope with the Climate-related Physical and Transition Risks

1. During extreme weather events, employees are advised to remain in a safe place until it is safe to resume normal activities. The Group continues to enhance internal awareness and training for the Group's professionals regarding climate risk so that the ability of the Group to cope with the negative impacts of extreme weather can be strengthened.

2. The Group adopts industry best practices according to the potential climate-related risks identified, which aims to improve energy efficiency throughout the Group's operation. All internal professionals and frontline staff are encouraged to focus on the daily procedure to achieve the objective of climate change mitigation.

3. To mitigate the transition risks, the Group regularly conducts research on the low-carbon technology trend in the business sector. Developing new intelligent technology to increase the efficiency of logistics services, monitoring the logistics processes, increasing service capacity, and avoid overuse of resources in the logistics operations.

4. The Group regularly conducts research on stakeholders' preferences on climate-related performance and disclosure and ensures transparent communication with stakeholders. Promote green services, such as using environmentally friendly air-cooling system, pallets and packaging materials, and introduce new energy vehicles in order to meet the market demand for eco-friendly services.

Climate-related Opportunity

While there are climate-related risks that the cold storage and logistics sector is vulnerable to in general, the Group continuously explores opportunities brought about by climate change.

Due to supply chain interruptions caused by climate change, such as transportation disruption and food shortages, the opportunity to leverage the Group's cold storage facilities is greatly increased. Stockpiling essential, perishable goods for clients offers an excellent opportunity to increase the customer base and diversify its clientele.

Additionally, having a fully established network of vehicles to effect deliveries, and increasing service capacity for "just in time" deliveries for e-commerce operators, will also broaden the customer base and thereby negate many risk factors that climate change may bring about.

Furthermore, with the increasing market preference for efficient low-carbon cold storage and logistics services, and fulfilling a large customer demand under extreme weather conditions, the Group has an opportunity to develop digital intelligence technologies in optimizing warehousing and transportation efficiency and resource allocation, and monitoring the warehousing, transportation and packaging processes. With efficient and automated services, its service offerings can be further expanded, and the Group can strive for higher revenue.

Metrics and Targets

To measure the level and impact of the Group's climate-related risks, the Group monitors metrics and indicators to ensure an effective and quantitative assessment. The Group monitors and reviews its Scope 1, Scope 2, and Scope 3 GHG emissions (in $tCO_2eq.$), total GHG emissions (in $tCO_2eq.$) and the GHG emission intensity (in $tCO_2eq./m^2$) regularly. The GHG emission data and information about target setting are shown in the section "A1. Emissions" of this report.

B. SOCIAL

1. Employment and Labour Practices

The Group values its employees and is devoted to protecting employees' rights, treating them fairly and equally, supporting employees' career development and fostering a safe working environment. All relevant provisions of the Employment Ordinance, Chapter 57 are strictly complied.

No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

Employment System and Labour Standards

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

Compensation and Benefits

In order to attract and retain talents, competitive remuneration packages are in place and are reviewed regularly to maintain the package's competitiveness made to existing and potential employees. The Human Resources Department is responsible for reviewing the overall salary and benefits to ensure the Group's competitiveness in the local market.

Dismissal

We ensure that all employees are covered by the employment protection laws of Hong Kong. We have implemented the following policies:

- Whenever an employee offers to resign or is being made redundant, the Human Resources Department will interview him or her before resigning to find out the reason for the resignation;

- The issuance of an employment verification document will be provided to the dismissed employee, except for staff who are terminated for behaving improperly or have been employed for less than 3 months;

- Upon employee termination, the dismissed employee shall be given due notice or wages in lieu of notice, and the notice should not be given during his or her annual leave or maternity leave;

- An employee cannot be dismissed when she has been confirmed pregnant or given notice of pregnancy;

- An employee cannot be dismissed when he or she takes paid sick leave;

- An employee cannot be dismissed if he or she gives evidence or information in any legal proceeding relating to the enforcement of labour laws, industrial accidents or breach of work safety regulation;

- An employee cannot be dismissed if he or she joins a labour union or participates in labour union activities;

- If an employee is injured on duty, if a compensation agreement has not yet been reached or if the relevant evaluation certificate has not yet been issued, the employee cannot be dismissed.

Recruitment and Promotion

The Group strives to provide its employees with good development opportunities and pathways. All employees are assessed and rewarded for their contribution, work performance and skills annually.

Working Hours and Rest Periods

The Group embraces a work-life balance culture. The number of working hours and rest periods is clearly stated in the staff handbook of each Company and its subsidiaries.

Benefits and Welfare

The Group offers attractive benefits and welfare packages, including but not limited to annual leave, marriage leave, maternity leave, paternity leave and compassionate leave. Additionally, the Group offers a series of benefits, including tuition fee reimbursement, medical insurance, discretionary bonuses and a transportation allowance.

Diversity, Equal Opportunities and Anti-discrimination

The Group strictly complies with the local regulations relating to equal opportunities to eliminate discrimination in the Group, including but not limited to the relevant provisions of the Disability Discrimination Ordinance (Cap. 487), Sex Discrimination Ordinance (Cap. 480), Family Status Discrimination Ordinance (Cap. 527) and Race Discrimination Ordinance (Cap. 602). Employees should be treated equally regardless of age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation. The Group also has zero tolerance for harassment in the workplace. Those who encounter or witness any conduct of sexual harassment can report directly to the Executive Directors who are responsible for any investigation.

The Group understands that experienced workers can provide valuable insights into its operations and therefore has cancelled the compulsory retirement age of 60 in order to retain experienced employees.

B1. Employment

B1.1 Employment Figures

As of 31 December 2023, The Group had a total number of 157 employees, and all of them were full-time Hong Kong employees. See Figures 1–3 for the detailed composition of its workforce.

Figure 1 Total Workforce by Employment Type

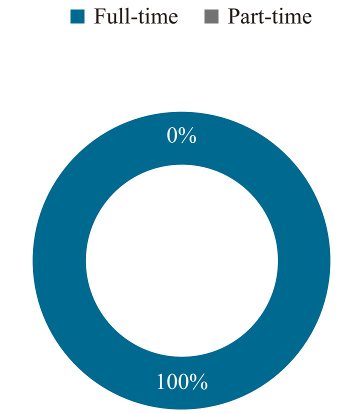


Figure 2 Total Workforce by Employee Categories

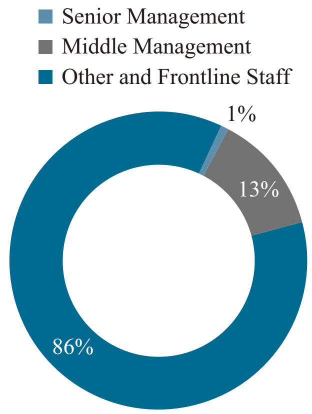


Figure 3 Total Workforce by Age

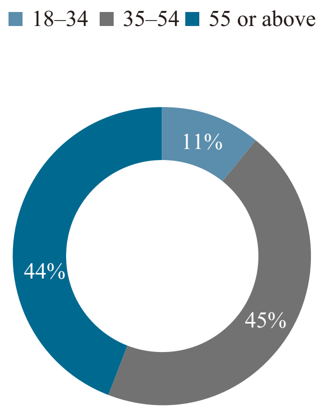


Figure 4 Total Workforce by Gender

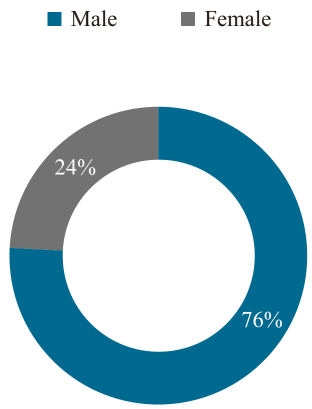
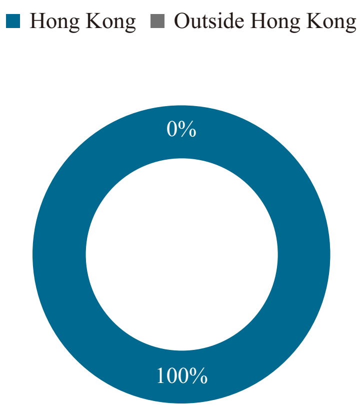


Figure 5 Total Workforce by Geographical Region



B1.2 Turnover Rate

A total of 41 employees left the Group during the Reporting Period, representing a turnover rate of 26.11% for the Group. See the following table:

Turnover rate by employee category	
Senior management	0%
Middle management	10%
Frontline and other staff	29%
Turnover rate by employee category	
Full-time	26%
Turnover rate by age group	
18–34	44%
35–54	26%
55 or above	22%
Turnover rate by gender	
Male	26%
Female	26%
Turnover rate by region	
Hong Kong	26%

Note: Turnover rate (per category)=Employees in the specified category leaving employment/The total number of employees in the specified category as of 31 December 2023*100.

B1.3 Employee Policies

The Employee Handbook continues to serve as the guideline and working procedure to manage employment and labour-related practices.

In terms of employees' benefits and welfare, the Group ensures they are continually provided under all applicable laws and regulations. Employees are entitled to paid annual leave, sick leave, marriage leave, maternity leave, paternity leave, injury leave, compensation leave, breastfeeding breaks, etc. Additionally, employees are entitled to medical and dental insurance such that their well-being is protected. The Group strives to encourage employees to spend time with their families.

B2. Employee Health and Safety

Employees' health and safety is the Group's main priority. The Group is committed to providing a healthy and safe workplace for all of its employees which complies with all relevant provisions of the Occupational Safety and Health Ordinance, Chapter 509 of the laws of Hong Kong. Using the ESG Policies as the backbone, the Safety Guideline encompasses an array of safety-related processes and practices, covering multiple aspects of safety management and work hazard prevention, such as general safety, first aid, fire prevention measures, cold storage warehouse safety, elevator safety, manual lifting and handling. Additionally, the Safety Committee, headed by the Group's Acting CEO, is represented by different departments to discuss safety issues regularly every three months.

To better equip employees during cases of emergencies, emergency response training, such as fire drills, are provided to employees regularly. Personal protective equipment is also provided to minimise employees' exposure to hazardous materials and the environment.

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

Table 5. Work-Related Fatalities and Lost Days

	2023	2022	2021
Work-related fatalities	**0**	0	0
Work-related fatality rates	**0%**	0%	0%
Lost Days	**421**	315	135

During the Reporting Period, there were no work-related fatalities but it has recorded 4 injury cases and 421 lost days. In these 4 work-related injury cases, arms or legs of the employees hurt accidentally in the workplaces. The incident has been investigated and appropriate actions have been taken immediately. For instance, promoting safety knowledge to employees to enhance their work safety awareness. In order to ensure a safe working condition for all staff and avoid the similar work-related injury happening in the future, the Group will evaluate the current work safety management regularly to ensure employees work in safe condition. Additionally, there were no instances of non-compliance regarding laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards were identified.

B3. Development and Training

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

Every year, the Group encourages staff to attend training courses, and the Group offers job, development, and promotion opportunities for outstanding employees to obtain professional or academic qualification training to improve their skills and knowledge base. In order to increase the incentive of the employees to participate in training, the Group offers training sponsorship for them. Employees can apply for the training sponsorship according to the application procedure stated in the Staff Handbook.

Table 6. The percentages of employees trained and average training hours per employee by gender and employee category

Proportion Trained		Average Training Hours Completed Per Employee	
Gender	**%**	**Gender**	**Hours**
Male	16	Male	1.16
Female	5	Female	0.58
Employee Category	**%**	**Employee Category**	**Hours**
Senior Management	0	Senior Management	0
Middle Management	5	Middle Management	0.13
Frontline & Other Staff	15	Frontline & Other Staff	1.17

Note: The percentage of employees trained in the specified category=(the total number of employees who took part in training in the specified category/the total number of employees in the specified category as of 31-12-2023)*100%

Note: Average training hours completed per employee in the specified category=(the total number of training hours for employees in the specified category/the total number of employees in the specified category as of 31-12-2023)*100%

Table 7. The breakdown of training by topics, the number of employees trained and training hours

Training topics	The number of employees trained	Training hours
Forklift Operation Training	18	140
Briefing on Control of Hydrofluorocarbons (HFCs) for Implementation of Kigali Amendment	2	5
ISO 9001:2015 QMS Understanding & Application	1	15

B4. Labour Standards

The Group strictly complies with the Employment of Children Regulations (Chapter 57B of the Laws of Hong Kong). The Human Resources Department has a comprehensive background checking system during the recruitment process, with newly engaged employees required to provide an identification document or Passport upon enrolment in the Group. If a violation of the law is discovered, immediate action in terminating the enrolment will be taken.

There were no major risks associated with incidents of child labour, forced or compulsory labour within the Group. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour had been identified during the Reporting Period.

2. Operating Practices

B5. Supply Chain Management

The Group acknowledges its responsibility in managing ESG risks along its supply chain. As stated in its ESG Policies, the Group values long-term relationships with its suppliers. Suppliers who share common moral values and standards will be considered by the Group. The Group expects its suppliers to engage in good sustainability practices, such as raising employees' environmental awareness, encouraging energy conservation, promoting waste reduction, and providing a safe and risk-free working environment. The Group assesses the quality of products and services of the new suppliers and updates the list of approved suppliers regularly.

In addition, when purchasing goods and services, environmental and social factors are part of the consideration besides technical capabilities and price competitiveness. A standardised procurement management flow, including selection, hiring, evaluation, management and monitoring of suppliers, has been established to track the performance of suppliers regularly. The Group evaluates the performance of the suppliers annually and conducts certificate checking regularly in order to maintain the products and services quality, and their compliance with environmental and social standards. Underperformers will be removed from the list to ensure all suppliers achieve the Group's minimum standard.

The Group has adopted a green procurement policy which stipulates the purchased products and services which cause minimal damage to the environment. Environmentally friendly and energy-saving products are preferred when purchasing commonly used items for daily business operations. The products with the following characteristics are encouraged during the procurement process instead of purchasing single-use disposable items:

- Recyclable;
- Refillable;
- With greater energy efficiency;
- Utilizing clean technology and fuels;
- Requiring minimal water consumption;
- Pollution free.

Table 8. Number of suppliers by geographical region/country

Region	Number of supplier(s)	Type of supplies
China	3	Equipment supplier, raw material
Hong Kong	115	Equipment supplier, raw material
Taiwan	1	Refrigeration oil
Overall total number of suppliers	**119**	

B6. Product Responsibility

B6.1 Product Labelling, Health and Safety, and Advertising

Due to the business nature, product labelling, health and safety, and advertising issues are not applicable to the Group. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided have been identified during the Reporting Period.

B6.2 Quality Assurance

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

The Group established a quality management system that is certified to the ISO 9001:2015 standard throughout its cold storage business. The Group's Quality Control Manual, Working Operation Procedures and Working Instructions were formulated to aid the implementation of this standard. With the support from the Quality Assurance Department in monitoring operations and identifying corrective measures whenever necessary, this management system aims to maintain performance, including demonstrating leadership, actions to address risks and opportunities, implementing operational planning and control and evaluating performance. There were no service complaints received during the Reporting Period.

B6.3 Data Protection

The Group respects the protection of personal data and is committed to complying with the data protection principles and all relevant provisions of the Hong Kong Personal Data (Privacy) Ordinance.

The Group safeguards customers' information by implementing proper security controls, such as system encryption. All collected customer information will only be used for business purposes and will be handled with utmost care and extreme caution. For all the sensitive information of the not recruited job applicants, they are saved with secure password in the computer system, and the hardcopy are filed with locks. All the related sensitive information will be deleted after 6 months and destroyed the hardcopy properly. In order to maintain the security of sensitive data and the stability of the online data system, the Firewall, VPN, Antivirus and LAN Scanner were installed, and all these software will be updated regularly. If incidents of the sensitive data leakage are discovered, the incidents should be reported to the management for further investigation and the implementation of remedial measures. In addition, all the affected customers should be notified about the incidents. For serious cases, the Group may seek assistance from Hong Kong Computer Emergency Response Team Coordination Centre and Hong Kong Police Force if necessary.

During the Reporting Period, there were no violations of the Hong Kong Personal Data (Privacy) Ordinance.

B6.4 Intellectual Property

The Group also closely monitors the infringement actions in the market and actively combats any infringements in accordance with all provisions of the Copyright Ordinance. Any unauthorized use of IP rights may give rise to legal liability. No major incidents relating to the infringement of IP rights occurred during the Reporting Period.

B7. Anti-corruption

As a responsible cold storage and logistics service provider, the Group is committed to upholding the integrity and promoting fairness in society. Hence, any forms of bribery, extortion, fraud and money laundering are strictly prohibited. The Group strictly complies with all relevant provisions of the Prevention of Bribery Ordinance and follows the internal ESG Policies and the Staff Handbook, the Group has put in place an array of internal processes throughout our operations to prohibit corruption.

The Group prohibits all employees from offering and soliciting all forms of benefits from any third parties. Whenever employees receive gifts that are of high commercial value provided by business partners or clients, they should report to senior management or the Human Resources Department. In any circumstance, employees should avoid conflicts of interest between personal interests and job duties. In the event of an unavoidable conflict of interest, employees should report any such conflicts to the Group in advance.

In addition to the ESG Policies and Staff Handbook, the Group has prepared written guidelines to protect our business from financial crime. The Group encourages all its employees to take all reasonable steps to establish the true and full identity of each customer. Additionally, when facing suspicious activities, employees should avoid and report any suspected cash movement. A whistle-blowing platform is also in place to assure a fair and efficient reporting and investigation mechanism for employees to report any misconduct or malpractice within the Group. Employees shall report any suspected violation to Executive Directors or the Chair of the Audit Committee in a confidential manner. The reported cases will be handled confidentially to protect the whistle-blowers from harassment and reprisals. During the Reporting Period, there were no legal cases regarding corrupt practices brought against the Group or its employees. During the Reporting Period, the Group encouraged employees to review the prepared anti-corruption resources which are referenced from the ICAC website to strengthen their understanding of the corruption concepts.

B8. Community Investment

The Group strives to carry out and practice acts of corporate social responsibility and actively participates in public welfare activities.

The Group understands its responsibility in supporting local communities where it operates and encourages its employees to participate in variety of volunteer services. Guided by the Group's ESG Policies, the Group participated in different community activities. The detail of the community activities is shown in the following table:

Table 9. Community Investment

Focus Area	Activities	Resources contributed
Community Support	A charity mooncake sale held by the Community Chest	HK$25,912
	"Pass-it-On Campaign 2023" held by Hong Kong Red Cross	HK$5,000
	Donations of cat food to House Of Joy & Mercy Company Limited	312 cans
Environmental Protection	"60+ Earth Hour" organised by World Wildlife Fund ("WWF")	Encouraged all employees to switch off unnecessary lights for 1 hour

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

mazars

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

OPINION

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 72 to 143, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and right-of-use assets related to the cold storage and related services business	
Refer to notes 3, 15 and 16 to the consolidated financial statements	
The management of the Group considers impairment assessments on cold storage warehouses related to the cold storage and related services business which is considered as separate identifiable cash-generating units (the "CGU"). The carrying amounts before impairment allowances of the Group's property, plant and equipment and right-of-use assets related to the cold storage and related services business that are subject to impairment assessment at 31 December 2023 amounted to approximately HK$3,022,000 and HK$75,029,000, respectively. The management of the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The management of the Group engaged an independent professional valuer (the "Valuer") in assisting the preparation of cash flow projections of the CGU of the cold storage and related services business to which the property, plant and equipment and right-of-use assets belong in estimating the recoverable amounts of the CGU. Certain assumptions, including occupancy rates and growth in charge rates, made by the directors of the Company and the estimation of the discount rate applied made by the Valuer in the impairment assessment are considered to be key areas of judgement. Based on the management's assessment, no impairment in respect of property, plant and equipment and right-of-use assets related to the cold storage and related services business has been recognised in profit or loss during the year ended 31 December 2023. We identified the impairment assessment of property, plant and equipment, and right-of-use assets related to the cold storage and related services business as a key audit matter due to the significance of the balances and the involvement of subjective judgement and management estimation in determining the recoverable amounts of the property, plant and equipment and right-of-use assets.	Our key procedures, among other, included: • Obtaining an understanding of management's process of reviewing and evaluating impairment assessment of property, plant and equipment and right-of-use assets related to cold storage and related services business; • Assessing the competence, capabilities and objectivity of the Valuer; • Discussing the scope of work of the Valuer with the management of the Group and reviewing the terms of engagement to determine that there were no matters that imposed scope limitations upon the Valuer; • Obtaining an understanding from the Valuer about the methodologies used and the key inputs, such as occupancy rates, growth in charge rates and the discount rate, adopted in the valuation model and assessing the appropriateness of these methodologies and inputs based on our knowledge of the cold storage and related services business of the Group and market data; • Comparing the key inputs mentioned above used in the valuation model to entity-specific historical information and public available information to evaluate the appropriateness of using these inputs in the valuation models; • Engaging our valuation specialist to evaluate the appropriateness of methodologies used and key inputs adopted in the valuation model; and • Checking arithmetic accuracy of the cash flow projection calculation and impairment loss calculation.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 27 March 2024

The engagement director on the audit resulting in this independent auditor's report is:
Fong Chin Lung
Practising Certificate number: P07321

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6		
– Provision of cold storage and related services		**230,574**	238,362
– Trading and sales of food and beverage		**67,551**	34,680
– Others		**261**	266
Total revenue		**298,386**	273,308
Cost of revenue		**(246,510)**	(213,784)
Gross profit		**51,876**	59,524
Other income	7	**10,088**	9,712
Other gains and losses, net	9	**(2,704)**	(812)
Gain on disposal of a subsidiary	31	**12,729**	–
Loss allowance on trade and other receivables, net		**(5)**	(357)
Selling and distribution expenses		**(10,537)**	(9,452)
Administrative expenses		**(36,084)**	(40,288)
Finance costs	8	**(10,130)**	(13,567)
Profit before tax	8	**15,233**	4,760
Income tax expenses	12	**–**	–
Profit for the year		**15,233**	4,760
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(336)**	(1,200)
Other comprehensive expense		**(336)**	(1,200)
Total comprehensive income for the year		**14,897**	3,560
Profit for the year attributable to:			
Equity holders of the Company		**5,672**	4,760
Non-controlling interests		**9,561**	–
		15,233	4,760
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**5,336**	3,560
Non-controlling interests		**9,561**	–
		14,897	3,560
Earnings per share attributable to equity holders of the Company			
Basic	13	**HK1.96 cents**	HK1.64 cents
Diluted	13	**HK1.96 cents**	HK1.64 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	15	**3,173**	4,164
Intangible assets		**–**	322
Right-of-use assets	16	**76,803**	79,464
Goodwill		**68**	68
Equity instrument at fair value through other comprehensive income ("FVOCI")	17	**–**	–
Rental deposits paid	18	**195**	53,661
Pledged bank deposits	19	**1,700**	1,700
Other deposit paid	18	**–**	6,900
		81,939	146,279
Current assets			
Inventories	20	**886**	1,043
Trade and other receivables, deposits and prepayments	18	**107,761**	57,473
Bank and cash balances	21	**61,952**	60,411
		170,599	118,927
Current liabilities			
Trade and other payables	22	**14,451**	17,831
Contract liabilities	23	**7,366**	8,619
Lease liabilities	16	**73,918**	74,058
Bonds payables	26	**100,000**	40,000
		195,735	140,508
Net current liabilities		**(25,136)**	(21,581)
Total assets less current liabilities		**56,803**	124,698
Non-current liabilities			
Bank borrowing	24	**35,000**	35,000
Lease liabilities	16	**954**	11,022
Bonds payables	26	**–**	60,000
		35,954	106,022
NET ASSETS		**20,849**	18,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	27	**2,901**	2,901
Reserves		**17,948**	12,612
Equity attributable to equity holders of the Company		**20,849**	15,513
Non-controlling interests		–	3,163
TOTAL EQUITY		**20,849**	18,676

These consolidated financial statements on pages 72 to 143 were approved and authorised for issue by the Board of Directors on 27 March 2024 and signed on its behalf by:

Fung Pak Kei
Director

Ho Hon Chung, Ivan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2023

	Attributable to equity holders of the Company									
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 28(a))	Capital reserve HK$'000 (Note 28(b))	Exchange reserve HK$'000 (Note 28(c))	FVOCI reserve HK$'000 (Note 28(d))	Share option reserve HK$'000 (Note 29)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022	29,011	381,060	39,984	1,868	(102,078)	2,623	(341,836)	10,632	3,163	13,795
Profit for the year	–	–	–	–	–	–	4,760	4,760	–	4,760
Other comprehensive expense:										
Item that may be reclassified subsequently to profit or loss										
Exchange differences on translation of foreign operations	–	–	–	(1,200)	–	–	–	(1,200)	–	(1,200)
Total comprehensive (expense) income for the year	–	–	–	(1,200)	–	–	4,760	3,560	–	3,560
Transactions with owners:										
Contributions and distributions										
Recognition of share-based compensation costs (Note 29)	–	–	–	–	–	1,321	–	1,321	–	1,321
2022 Capital Reduction (Note 27)	(26,110)	–	26,110	–	–	–	–	–	–	–
Total transactions with owners	(26,110)	–	26,110	–	–	1,321	–	1,321	–	1,321
At 31 December 2022	2,901	381,060	66,094	668	(102,078)	3,944	(337,076)	15,513	3,163	18,676

	Attributable to equity holders of the Company									
	Share capital HK$'000 (Note 27)	Share premium HK$'000 (Note 28(a))	Capital reserve HK$'000 (Note 28(b))	Exchange reserve HK$'000 (Note 28(c))	FVOCI reserve HK$'000 (Note 28(d))	Share option reserve HK$'000 (Note 29)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2023	2,901	381,060	66,094	668	(102,078)	3,944	(337,076)	15,513	3,163	18,676
Profit for the year	–	–	–	–	–	–	5,672	5,672	9,561	15,233
Other comprehensive expense:										
Item that may be reclassified subsequently to profit or loss										
Exchange differences on translation of foreign operations	–	–	–	(336)	–	–	–	(336)	–	(336)
Total comprehensive (expense) income for the year	–	–	–	(336)	–	–	5,672	5,336	9,561	14,897
Transactions with owners:										
Contributions and distributions										
Disposal of a subsidiary (Note 31)	–	–	–	–	–	–	–	–	(12,724)	(12,724)
Total transactions with owners	–	–	–	–	–	–	–	–	(12,724)	(12,724)
Release of FVOCI reserve upon disposal of a subsidiary (Note 31)	–	–	–	–	102,078	–	(102,078)	–	–	–
At 31 December 2023	2,901	381,060	66,094	332	–	3,944	(433,482)	20,849	–	20,849

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**15,233**	4,760
Adjustments for:		
Amortisation of intangible assets	**88**	80
Depreciation of property, plant and equipment	**1,818**	1,958
Depreciation of right-of-use assets	**69,355**	68,596
Finance costs	**10,130**	13,567
Interest income	**(3,157)**	(2,692)
Loss allowance on trade and loan receivables, net	**5**	357
Loss (Gain) on disposal/written-off of property, plant and equipment	**835**	(56)
Gain on disposal of a subsidiary	**(12,729)**	–
Share-based compensation costs	**–**	1,321
Written-off of intangible assets	**234**	–
Written-off of inventories	**185**	–
Written-off of loan receivables	**21**	–
Written-off of trade receivables	**1,517**	646
Operating cash flows before movements in working capital:	**83,535**	88,537
Inventories	**(28)**	1,198
Trade and other receivables, deposits and prepayments	**8,237**	(792)
Loan receivables	**55**	200
Trade and other payables	**(3,380)**	(4,382)
Contract liabilities	**(1,253)**	(125)
Cash generated from operations	**87,166**	84,636
Interest received	**261**	268
Net cash from operating activities	**87,427**	84,904
INVESTING ACTIVITIES		
Additions in property, plant and equipment	**(1,662)**	(1,234)
Interest received	**344**	12
Proceeds from disposal of a subsidiary	**5**	–
Proceeds from disposal of an associate	**–**	3,534
Refund of rental deposits of right-of-use assets	**–**	2,542
Proceeds from disposal of property, plant and equipment	**–**	57
Payments for rental deposits of right-of-use assets	**–**	(4,062)
Additions in intangible assets	**–**	(156)
Net cash (used in) from investing activities	**(1,313)**	693

	Notes	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES			
Repayment of lease liabilities	16, 30	**(74,113)**	(70,323)
Interest paid	30	**(10,130)**	(13,567)
Net cash used in financing activities		**(84,243)**	(83,890)
Net increase in cash and cash equivalents		**1,871**	1,707
Cash and cash equivalents at the beginning of the reporting period		**60,411**	59,919
Effect on exchange rate changes		**(330)**	(1,215)
Cash and cash equivalents at the end of the reporting period, represented by bank and cash balances	21	**61,952**	60,411

1. CORPORATE INFORMATION

Daido Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office and principal place of business are located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Unit No. 1301, Level 13, Tower 1, Kowloon Commerce Centre, No. 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong respectively. The Company is an investment holding company and the principal activities of its subsidiaries are set out in Note 14 to the consolidated financial statements.

The Company and its subsidiaries are herein collectively referred to as the "Group".

2. BASIS OF PREPARATION

At 31 December 2023, the Group has net current liabilities position of approximately HK$25,136,000. At 31 December 2023, the Group's total borrowings comprising bank borrowing, lease liabilities and bonds payables amounted to approximately HK$209,872,000 and the balance of approximately HK$173,918,000 will be due in the coming twelve months from the end of the reporting period. The Group is exposed to liquidity risk if it is not able to raise sufficient funds to meet its financial obligations. 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 internal resources available, repayment schedule of bonds payables and bank borrowing and the cash generated from operation. The directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all individual applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year as set out in Note 3 to the consolidated financial statements. The consolidated financial statements are rounded to the nearest thousand, unless otherwise indicated.

A summary of the principal accounting policies adopted by the Group is set out in Note 3 to the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

Changes in accounting policies

The Group has applied, for the first time, the following new/revised HKFRSs that are relevant to the Group:

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

Amendments to HKAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to HKAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests are presented, separately from equity holders of the Company, in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

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

Changes in ownership interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position which is presented in Note 37 to the consolidated financial statements, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Goodwill

Goodwill arising on an acquisition of a subsidiary is measured at the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previously held equity interests in the acquiree over the acquisition date amounts of the identifiable assets acquired and the liabilities assumed of the acquired subsidiary.

Goodwill on acquisition of subsidiary is recognised as a separate asset and is carried at cost less accumulated impairment losses, which is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment test and determination of gain or loss on disposal, goodwill is allocated to cash-generating units. An impairment loss on goodwill is not reversed.

On the other hand, any excess of the acquisition date amounts of identifiable assets acquired and the liabilities assumed of the acquired subsidiary over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, if any, after reassessment, is recognised immediately in profit or loss as an income from bargain purchase.

Any resulting gain or loss arising from remeasuring the previously held equity interests in the acquiree at the acquisition-date fair value is recognised in profit or loss or other comprehensive income, as appropriate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method at following annual rates. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	Over the shorter of terms of the leases, or 10%
Furniture and fixtures	10%–33.3%
Motor vehicles	20%–33.3%
Plant and machinery and equipment	15%–50%

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Intangible assets acquired separately

E-commerce website represents costs incurred for the development of the e-commerce systems, including website design and development and payment gateway, which are under trading and sales of food and beverage business. The costs are capitalised and amortised under the straight-line method over 5 years. E-commerce website is tested for impairment where an indicator of impairment appears.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Classification and measurement

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at FVOCI; (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 *Financial Instruments* are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and measurement (continued)

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

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

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost included rental deposits paid, other deposit paid, trade and other receivables, amount due from subsidiaries, pledged bank deposits and bank and cash balances.

(2) Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group's financial assets at designated FVOCI included 40% of the issued ordinary shares of Richbo Enterprises Limited.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, bonds payables, lease liabilities and bank borrowing. All financial liabilities, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items (continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

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

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets and other items (continued)

Simplified approach of ECL

For trade receivables without a significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and the Group uses internal credit rating to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical default rates taking into consideration the historical data and forward-looking information that is available without undue cost or effort.

Credit-impaired financial asset

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

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

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

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

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

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

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

Share capital

Ordinary shares are classified as equity.

Cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents represent bank and cash balances and short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers within HKFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is as follows:

(i) Cold storage, handling services and logistics services

(ii) Trading and sales of food and beverage

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers within HKFRS 15 (continued)

Revenue or income is recognised on the following bases:

Cold storage, handling services and logistics services

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

Cold storage, handling services and logistics services are considered to be separate distinct service as they are regularly supplied by the Group to customers on a standalone basis and is available for customers and the associate from other providers in the market. Revenue relating to these services is recognised over time. The normal credit term is 30 to 60 days.

Trading and sales of food and beverage

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

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

Income from financial assets

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Hong Kong Dollars ("HK$") is the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented and, where applicable, goodwill and fair value adjustments on the carrying amounts of assets and liabilities arising on an acquisition of a foreign operation which are to be treated as assets and liabilities of that foreign operation, are translated at the closing rate at the end of the reporting period;

- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates;

- All resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- On the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation, a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest is no longer equity-accounted for, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised;

- On the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss; and

- On all other partial disposals, which includes partial disposal of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount of exchange differences recognised in the separate component of equity is reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets, other than goodwill

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets, or intangible assets or interests in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit (the "CGU")).

If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or CGU that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

The accounting policy for recognition of the impairment loss for goodwill is stated in the accounting policy for goodwill in the earlier part of this note.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the period in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases

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

As lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any leases payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Cold storage warehouses	Over the shorter of unexpired term of lease and their estimated useful life
Office premises	Over the term of lease
Motor vehicle	Over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

As lessee (continued)

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if:

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

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

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Leases (continued)

As lessee (continued)

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.

(b) the Group determines the lease term of the modified contract.

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme in Hong Kong are recognised as expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group's entities established in Hong Kong in an independently administered fund.

In accordance with the rules and regulations in the People's Republic of China (the "PRC"), the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to those plans are expensed as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Long service payments

The Group's net obligation in respect of long service payments under the Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

Share-based payment transactions

Equity-settled transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is determined using the binomial model, taking into account any market conditions and non-vesting conditions.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled transactions (continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions (the "vesting date"). During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the period of the review, with a corresponding adjustment to the reserve within equity.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

No expense is recognised for awards that do not ultimately vest, except for awards conditional on a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting conditions satisfied, provided that all other performance conditions are satisfied. Where the terms of an equity-settled award are modified, an additional expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

Share-based compensation cost payment transactions with parties other than employees are measured at fair value of the goods or services received, except where the fair value cannot be reliably estimated, in which case they are measured at the fair value of the equity instruments granted. In all cases, the fair value is measured at the date the Group obtains the goods or the counterparty renders the services.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the holding company of the Group (if any).

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the holding company of the Group (if any).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the chief operating decision makers for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Operating segments that meet the quantitative thresholds are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Other operating segments may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the consolidated financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation, and any impairment losses. In determining whether an asset is impaired, the Group has to exercise judgements and make estimations, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value-in-use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections of two CGUs *(2022: two CGUs)* of cold storage and related services business to which the property, plant and equipment, and right-of-use assets belong in estimating the recoverable amounts of the CGU. Certain assumptions, including occupancy rates and growth in charge rates, made by the directors of the Company and the estimation of the discount rate applied made by an independent professional valuer in the impairment assessment are considered to be key areas of judgement. The discount rate represents a rate that reflects current market assessments of time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. If the discount rate in estimating the recoverable amount of CGUs had been 1% higher/lower at the end of the reporting period, with other assumptions held constant, the recoverable amount would have been approximately HK$593,000 *(2022: approximately HK$619,000)* lower/higher.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

(ii) Impairment of investments and receivables

The Group assesses annually if its interests in subsidiaries suffered any impairment in accordance with HKAS 36 *Impairment of Assets* and follows the guidance of HKFRS 9 in determining whether amounts due from these entities are impaired. Details of the approach are stated in the respective accounting policies. The assessment requires an estimation of future cash flows, including expected dividends, from the assets and the selection of appropriate discount rates. Future changes in financial performance and position of these entities would affect the estimation of impairment loss and cause in the adjustments of their carrying amounts.

(iii) Loss allowance for ECL

The Group's management estimates the loss allowance for trade receivables and loan receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and loan receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 34 to the consolidated financial statements. If the ECL rates on the trade receivables had been 1% higher/lower at the end of the reporting period, with other assumptions held constant, the loss allowance would have been approximately HK$449,000 *(2022: approximately HK$540,000)* higher/lower.

(iv) Discount rates for calculating lease liabilities – as lessee

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Critical judgements made in applying accounting policies

(i) Lease term of contract with termination option – as lessee

Lease terms are determined as the non-cancellable period of a lease, including periods covered by an option to terminate if the lessee is reasonably certain not to exercise the termination option.

The Group has a lease contract that includes termination option. In assessing whether the Group is reasonably certain not to exercise an option to terminate a lease, the Group applies judgement and considers all relevant facts and circumstances that create an economic incentive to terminate the lease.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to not to exercise a termination option.

4. FUTURE CHANGES IN HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 The effective date to be determined

Except for the amendments to HKFRSs mentioned below, the directors do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial statements.

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

Based on the Group's outstanding liabilities at 31 December 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

5. SEGMENT REPORTING

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.

For the year ended 31 December 2022, the Group had three reportable segments: Cold storage and related services, trading and sales of food and beverage and money lending services.

For the year ended 31 December 2023, in the opinion of the management of the Group, the money lending services segment has ceased to receive fresh financial input from the Group as new resources will be diverted to more profitable segments including the existing business segments. The Group has no plan to engage in money lending services. To reflect the Group's future business development plan and prospect, the money lending services have been reclassified as non-reportable segment. Comparative figures have been restated to conform to the current year's presentation.

5. SEGMENT REPORTING (continued)

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; and

(ii) Trading and sales of food and beverage in the PRC and 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 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 revenue, 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.

All assets are allocated to operating segments other than equity instrument at FVOCI, certain rental deposits paid, certain bank and cash balances, certain property, plant and equipment, certain right-of-use assets and certain other receivables, deposits and prepayments as these assets are managed on a group basis.

All liabilities are allocated to operating segments other than certain lease liabilities, bonds payables and certain other payables as these liabilities are managed on a group basis.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided and based on the entity's place of domicile for the trading and sales of food and beverage, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group's three distinctive business activities are provided in two different locations.

5. SEGMENT REPORTING (continued)

Revenue from customers contributing 10% or more of the total revenue of the Group is also reflected within the operating segment information.

Year ended 31 December 2023

	Cold storage and related services HK$'000	Trading and sales of food and beverage HK$'000	Consolidated HK$'000
Segment revenue			
Major customer A	**35,032**	**–**	**35,032**
Major customer B	**–**	**50,160**	**50,160**
Other customers	**195,542**	**17,391**	**212,933**
Total revenue	**230,574**	**67,551**	**298,125**
Segment results	**23,026**	**(1,111)**	**21,915**
Unallocated revenue			**261**
Unallocated other income			**353**
Unallocated other gains and losses, net			**(63)**
Gain on disposal of a subsidiary			**12,729**
Unallocated finance costs			**(6,084)**
Unallocated expenses			**(13,878)**
Profit before tax			**15,233**

Year ended 31 December 2022

	Cold storage and related services HK$'000	Trading and sales of food and beverage HK$'000	Consolidated HK$'000 (Restated)
Segment revenue			
Major customer A	35,964	–	35,964
Other customers	202,398	34,680	237,078
Total revenue	238,362	34,680	273,042
Segment results	32,075	(7,206)	24,869
Unallocated revenue			266
Unallocated other income			274
Unallocated other gains and losses, net			5
Unallocated finance costs			(6,046)
Unallocated expenses			(14,608)
Profit before tax			4,760

5. SEGMENT REPORTING (continued)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating segments is set out below:

At 31 December 2023

	Cold storage and related services HK$'000	Trading and sales of food and beverage HK$'000	Unallocated HK$'000	Consolidated HK$'000
Property, plant and equipment	2,670	468	35	3,173
Right-of-use assets	75,028	453	1,322	76,803
Other assets	121,791	15,821	34,950	172,562
Total assets	199,489	16,742	36,307	252,538
Total liabilities	123,175	2,781	105,733	231,689
Additional segment information:				
Amortisation of intangible assets	–	88	–	88
Depreciation of property, plant and equipment	1,367	418	33	1,818
Depreciation of right-of-use assets	67,952	610	793	69,355
Loss allowance on trade receivables	38	22	–	60
Reversal of loss allowance on loan receivables	–	–	(55)	(55)
Written-off of intangible assets	–	234	–	234
Written-off of inventories	–	185	–	185
Written-off of loan receivables	–	–	21	21
Written-off of trade receivables	1,517	–	–	1,517
Loss on disposal/written-off of property, plant and equipment	23	812	–	835
Additions in property, plant and equipment	1,158	504	–	1,662
Additions in right-of-use assets	573	–	–	573
Reassessment of lease liabilities	66,145	–	–	66,145
Interest income from bank deposits	(19)	(17)	(308)	(344)
Finance costs	4,008	38	6,084	10,130

5. SEGMENT REPORTING (continued)

Segment assets and liabilities (continued)

At 31 December 2022

	Cold storage and related services HK$'000	Trading and sales of food and beverage HK$'000	Unallocated HK$'000 (Restated)	Consolidated HK$'000
Property, plant and equipment	2,903	1,193	68	4,164
Intangible assets	–	322	–	322
Right-of-use assets	76,263	1,086	2,115	79,464
Other assets	132,263	18,824	30,169	181,256
Total assets	211,429	21,425	32,352	265,206
Total liabilities	133,565	5,516	107,449	246,530
Additional segment information:				
Amortisation of intangible assets	–	80	–	80
Depreciation of property, plant and equipment	1,226	368	364	1,958
Depreciation of right-of-use assets	67,498	223	875	68,596
Loss allowance (Reversal of loss allowance) on trade receivables	623	(42)	–	581
Reversal of loss allowance on loan receivables	–	–	(224)	(224)
Written-off of trade receivables	646	–	–	646
Gain on disposal/written-off of property, plant and equipment	(56)	–	–	(56)
Additions in property, plant and equipment	1,093	138	3	1,234
Additions in right-of-use assets	7,244	1,297	2,380	10,921
Interest income from bank deposits	(1)	(6)	(5)	(12)
Finance costs	7,491	30	6,046	13,567

5. SEGMENT REPORTING (continued)

Geographical information

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

Information about of the Group's non-current assets by geographical location of the assets (excluding pledged bank deposits and rental deposits paid *(2022: equity instrument at FVOCI, pledged bank deposits and rental and other deposits paid)*) are set out below:

	Revenue from external customers		Non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**230,980**	239,704	**79,581**	82,922
The PRC	**67,406**	33,604	**463**	1,096
	298,386	273,308	**80,044**	84,018

6. REVENUE

Revenue is analysed by category as follows:

	2023	2022
	HK$'000	HK$'000
Revenue from Contracts with Customers within HKFRS 15		
Provision of cold storage and related services		
– Cold storage	**201,429**	208,617
– Handling services	**3,270**	3,277
– Logistics services	**25,875**	26,468
	230,574	238,362
Trading and sales of food and beverage	**67,551**	34,680
Revenue from Contracts with Customers within HKFRS 15	**298,125**	273,042
Others	**261**	266
Total revenue	**298,386**	273,308
Timing of revenue recognition		
A point of time	**67,551**	34,680
Over time	**230,574**	238,362
	298,125	273,042

7. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Government subsidies (Note)	**354**	4,114
Imputed interest income on rental deposits paid	**2,552**	2,414
Interest income from bank deposits	**344**	12
Other service income	**6,768**	2,946
Sundry income	**70**	226
	10,088	9,712

Note: During the year ended 31 December 2023, the Group recognised government subsidies of approximately HK$97,000 *(2022: approximately HK$4,114,000)* in respect of Covid-19-related subsidies, of which (i) approximately HK$9,000 *(2022: approximately HK$4,067,000)* relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region (the "Hong Kong Government") for recognised salary costs; (ii) an one-off subsidy of Nil *(2022: HK$20,000)* from the Transport Department of the Hong Kong Government for subsidising goods vehicles; and (iii) approximately HK$88,000 *(2022: approximately HK$27,000)* related to motivation of business development in respect of trading and sales of food and beverage business in Hong Kong. During the year ended 31 December 2023, the Group recognised government subsidy of approximately HK$257,000 *(2022: Nil)* in respect of Phasing out Euro IV Diesel Commercial Vehicles-Ex-gratia Payment Scheme provided by the Hong Kong Government.

In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these grants.

8. PROFIT BEFORE TAX

This is stated after charging (crediting):

		2023 HK$'000	2022 HK$'000
(a)	**Finance costs**		
	Interest expense on bank borrowing	**1,726**	1,726
	Interest expense on bonds payables	**6,000**	6,000
	Interest expense on lease liabilities	**2,404**	5,841
		10,130	13,567
(b)	**Staff costs, including key management's remuneration**		
	Salaries, allowances and other short-term employee benefits	**62,766**	64,660
	Contributions to defined contribution plans	**3,329**	3,474
	Share-based compensation costs	**–**	1,321
		66,095	69,455

8. PROFIT BEFORE TAX (continued)

		2023 HK$'000	2022 HK$'000
(c)	**Key management's remuneration, including directors' remuneration**		
	Salaries, allowances and other short-term employee benefits	**8,275**	7,669
	Contributions to defined contribution plans	**189**	189
	Share-based compensation costs	**–**	1,321
		8,464	9,179
(d)	**Other items**		
	Amortisation of intangible assets	**88**	80
	Auditor's remuneration	**1,352**	1,536
	Cost of inventories recognised as expenses	**52,619**	22,494
	Depreciation of property, plant and equipment (included in "Cost of revenue" and "Administrative expenses", as appropriate)	**1,818**	1,958
	Depreciation of right-of-use assets (included in "Cost of revenue" and "Administrative expenses", as appropriate)	**69,355**	68,596
	Exchange losses, net	**97**	222
	Loss (Gain) on disposal/written-off of property, plant and equipment	**835**	(56)
	Loss allowance on trade receivables (Note 34(a)(iii))	**60**	581
	Reversal of loss allowance on loan receivables (Note 34(a)(iii))	**(55)**	(224)
	Written-off of intangible assets	**234**	–
	Written-off of inventories	**185**	–
	Written-off of loan receivables	**21**	–
	Written-off of trade receivables	**1,517**	646

9. OTHER GAINS AND LOSSES, NET

	2023 HK$'000	2022 HK$'000
Exchange losses, net	**(97)**	(222)
(Loss) Gain on disposal/written-off of property, plant and equipment	**(835)**	56
Written-off of intangible assets	**(234)**	–
Written-off of loan receivables	**(21)**	–
Written-off of trade receivables	**(1,517)**	(646)
	(2,704)	(812)

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

(a) Directors' remuneration

The aggregate amounts of remuneration received and receivable by the Directors are as follows:

	Directors' fees HK$'000	Salaries, allowances and other short-term employee benefits HK$'000	Contributions to defined contribution plans HK$'000	Discretionary, performance-based bonus HK$'000 (Note v)	Total HK$'000
Year ended 31 December 2023					
Executive directors					
Mr. Fung Pak Kei (Note i)	132	2,184	25	100	2,441
Mr. Ho Hon Chung, Ivan (Note ii)	132	1,412	–	32	1,576
	264	3,596	25	132	4,017
Non-executive directors					
Mr. Fung Wa Ko	180	–	–	–	180
Mr. Au Tat Wai	72	–	–	–	72
	252	–	–	–	252
Independent non-executive directors					
Mr. Leung Chi Hung	180	–	–	–	180
Mr. Tse Yuen Ming	180	–	–	–	180
Mr. Fung Siu Kit, Ronny (Note iii)	72	–	–	–	72
Mr. Lo Chi Wang (Note iv)	108	–	–	–	108
	540	–	–	–	540
	1,056	3,596	25	132	4,809

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (continued)

(a) Directors' remuneration (continued)

	Directors' fees HK$'000	Salaries, allowances and other short-term employee benefits HK$'000	Contributions to defined contribution plans HK$'000	Share-based compensation costs HK$'000	Discretionary, performance-based bonus HK$'000	Total HK$'000
Year ended 31 December 2022						
Executive directors						
Mr. Fung Pak Kei (Note i)	132	1,989	25	342	–	2,488
Mr. Ho Hon Chung, Ivan (Note ii)	132	1,364	–	342	–	1,838
	264	3,353	25	684	–	4,326
Non-executive directors						
Mr. Fung Wa Ko	180	–	–	–	–	180
Mr. Au Tat Wai	72	–	–	–	–	72
	252	–	–	–	–	252
Independent non-executive directors						
Mr. Leung Chi Hung	180	–	–	–	–	180
Mr. Tse Yuen Ming	180	–	–	–	–	180
Mr. Fung Siu Kit, Ronny (Note iii)	180	–	–	–	–	180
	540	–	–	–	–	540
	1,056	3,353	25	684	–	5,118

Notes:

(i) Mr. Fung Pak Kei has been appointed and re-designated from Chief Operating Officer (the "COO") to the Chief Executive Officer (the "CEO") with effect from 22 February 2024, his emoluments for both years disclosed above include those for services rendered by him as the COO.

(ii) Mr. Ho Hon Chung, Ivan has been appointed as the Acting Chief Executive Officer (the "Acting CEO") with effect from 4 June 2019, his emoluments for both years disclosed above include those for services rendered by him as the Acting CEO.

(iii) Mr. Fung Siu Kit, Ronny has been retired as an independent non-executive director of the Company on 25 May 2023.

(iv) Mr. Lo Chi Wang has been appointed as an independent non-executive director of the Company on 25 May 2023.

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

10. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (continued)

(a) Directors' remuneration (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration for the years ended 31 December 2023 and 2022. In addition, no emoluments were paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as a compensation for loss of office for the years ended 31 December 2023 and 2022.

(b) Loans, quasi-loans and other dealings in favour of Directors

There were no other loans, quasi-loans or other dealings in favour of the Directors of the Company or its holding company, or their connected entities that were entered into or subsisted during the years ended 31 December 2023 and 2022.

(c) Directors' material interests in transactions, arrangements or contracts

After consideration, other than disclosed in Notes 10, 29 and 32 to the consolidated financial statements, no other transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which the Directors, or an entity connected with the Directors, had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 December 2023 and 2022.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two *(2022: two)* directors, whose remunerations are set out in Note 10 to the consolidated financial statements. Details of the remunerations of the remaining three *(2022: three)* non-director, highest paid employees for the years are as follows:

	2023 **HK$'000**	2022 HK$'000
Salaries, allowances and other short-term employee benefits	**3,774**	3,565
Contributions to defined contribution plans	**54**	54
Share-based compensation costs	**–**	637
	3,828	4,256

The number of these non-director, highest paid employees whose remunerations fell within the following bands:

	Number of employees	
	2023	2022
Band		
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

There was no arrangement under which any of the five highest paid employees waived or agreed to waive any remuneration for the years ended 31 December 2023 and 2022.

12. INCOME TAX EXPENSES

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 years ended 31 December 2023 and 2022.

Income taxes outside Hong Kong

The Company and its subsidiaries established in Bermuda and the British Virgin Islands ("BVI") 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 ("PRC Enterprise Income Tax") at 25% *(2022: 25%)*.

Reconciliation of income tax expenses

	2023	2022
	HK$'000	HK$'000
Profit before tax	**15,233**	4,760
Income tax at tax rate of 16.5%	**2,513**	785
Non-deductible expenses	**1,411**	1,323
Tax effect on other deductible temporary differences not recognised	**3**	50
Tax exempt revenue	**(2,213)**	(1,169)
Unrecognised tax losses	**2,161**	4,142
Utilisation of deductible temporary differences previously not recognised	**(502)**	–
Utilisation of previous unrecognised tax losses	**(3,217)**	(4,580)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(156)**	(551)
Income tax expenses for the year	**–**	–

The applicable tax rate is the Hong Kong Profits Tax rate of 16.5% *(2022: 16.5%)*.

Details of deferred taxation are set out in Note 25 to the consolidated financial statements.

13. EARNINGS PER SHARE

Basic earnings per share is calculated based on the profit for the year ended 31 December 2023 attributable to the equity holders of the Company of approximately HK$5,672,000 *(2022: approximately HK$4,760,000)* and on the weighted average number of approximately 290,110,000 ordinary shares *(2022: approximately 290,110,000 ordinary shares)* in issue during the year ended 31 December 2023.

Diluted earnings per share is the same as basic earnings per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 December 2023 and 2022.

14. SUBSIDIARIES

In the opinion of the Directors, a complete list of the particulars of all subsidiaries will be of excessive length and therefore the table below lists the principal subsidiaries at the end of the reporting period, which principally affected the result for the year or formed a substantial portion of the net assets of the Group:

Name of the subsidiaries	Place of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Effective ownership interests held by the Company 2023	2022	Principal activities/ place of operation
Directly held by the Company					
Daido (BVI) Limited	BVI	Ordinary shares, US$2	**100%**	100%	Investment holding/ Hong Kong
Indirectly held by the Company					
Brilliant Cold Chain Development Limited	Hong Kong	Ordinary share, HK$1	**100%**	100%	Inactive/Hong Kong
Brilliant Cold Storage Management Limited	Hong Kong	Ordinary shares, HK$2	**100%**	100%	Provision of cold storage and related services, and sales of food and beverage/ Hong Kong
Brilliant Gold International Limited ("Brilliant Gold")	BVI	Ordinary shares, US$1,000	**– (Note 31)**	75%	Investment holding/ Hong Kong
Brilliant Top In Logistics Limited	Hong Kong	Ordinary shares, HK$2	**100%**	100%	Provision of cold storage and related services/Hong Kong
Diamond Sparkling Limited	Hong Kong	Ordinary share, HK$10	**100%**	100%	Provision of management service/Hong Kong
Gold View Management Limited	Hong Kong	Ordinary share, HK$1	**100%**	100%	Provision of cold storage and related services/Hong Kong
Lubrano Properties Limited	BVI	Ordinary shares, US$50,000	**100%**	100%	Investment holding/ Hong Kong
Mutual Credit Limited	Hong Kong	Ordinary shares, HK$5,000,000	**100%**	100%	Provision of money lending services/Hong Kong
Sky Elegant Development Limited	Hong Kong	Ordinary share, HK$1	**100%**	100%	Investment holding/ Hong Kong
Tansun Trading (HK) Company Limited	Hong Kong	Ordinary share, HK$1	**100%**	100%	Investment holding/ Hong Kong
Topgain Investments Limited	BVI	Ordinary share, US$1	**100%**	100%	Investment holding/ Hong Kong
同瞬貿易(廣州)有限公司#	PRC	Registered capital RMB30,000,000 Paid-up capital RMB20,000,000	**100%**	100%	Trading and sales of food and beverage/PRC

\# Registered under the law of the PRC as wholly-owned foreign enterprise.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
Cost					
At 1 January 2022	11,281	1,692	10,462	17,975	41,410
Additions	57	199	–	978	1,234
Disposals	–	(152)	(663)	(418)	(1,233)
Write-off	–	(94)	–	(1,693)	(1,787)
At 31 December 2022 and at 1 January 2023	**11,338**	**1,645**	**9,799**	**16,842**	**39,624**
Additions	**–**	**34**	**500**	**1,128**	**1,662**
Write-off	**(1,473)**	**(1,015)**	**(118)**	**(6,542)**	**(9,148)**
At 31 December 2023	**9,865**	**664**	**10,181**	**11,428**	**32,138**
Accumulated depreciation and impairment					
At 1 January 2022	9,767	1,439	10,347	14,968	36,521
Charges	600	126	21	1,211	1,958
Disposals	–	(152)	(663)	(417)	(1,232)
Write-off	–	(94)	–	(1,693)	(1,787)
At 31 December 2022 and at 1 January 2023	**10,367**	**1,319**	**9,705**	**14,069**	**35,460**
Charges	**291**	**164**	**53**	**1,310**	**1,818**
Write-off	**(826)**	**(932)**	**(118)**	**(6,437)**	**(8,313)**
At 31 December 2023	**9,832**	**551**	**9,640**	**8,942**	**28,965**
Net carrying amount					
At 31 December 2023	**33**	**113**	**541**	**2,486**	**3,173**
At 31 December 2022	971	326	94	2,773	4,164

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Cold storage warehouses HK$000	Offices HK$'000	Motor vehicle HK$'000	Total HK$'000
Reconciliation of carrying amount – year ended 31 December 2022				
At 1 January 2022	136,115	663	402	137,180
Additions/lease modification	7,244	3,677	–	10,921
Depreciation	(67,279)	(1,098)	(219)	(68,596)
Exchange realignment	–	(41)	–	(41)
At 31 December 2022	76,080	3,201	183	79,464
Reconciliation of carrying amount – year ended 31 December 2023				
At 1 January 2023	**76,080**	**3,201**	**183**	**79,464**
Additions	**–**	**–**	**573**	**573**
Reassessment of lease liabilities	**66,145**	**–**	**–**	**66,145**
Depreciation	**(67,737)**	**(1,403)**	**(215)**	**(69,355)**
Exchange realignment	**–**	**(24)**	**–**	**(24)**
At 31 December 2023	**74,488**	**1,774**	**541**	**76,803**
At 31 December 2022				
Cost	316,029	8,932	658	325,619
Accumulated depreciation and impairment	(239,949)	(5,731)	(475)	(246,155)
Net carrying amount	76,080	3,201	183	79,464
At 31 December 2023				
Cost	**382,174**	**8,828**	**1,231**	**392,233**
Accumulated depreciation and impairment	**(307,686)**	**(7,054)**	**(690)**	**(315,430)**
Net carrying amount	**74,488**	**1,774**	**541**	**76,803**

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

The total cash outflow for leases was approximately HK$76,589,000 *(2022: approximately HK$76,259,000)* for the year ended 31 December 2023.

At 31 December 2023, the carrying amount of the motor vehicle of approximately HK$541,000 *(2022: approximately HK$183,000)* was pledged as the lessors' charge over the leased asset to secure the lease liabilities of approximately HK$507,000 *(2022: approximately HK$175,000)*.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Right-of-use assets (continued)

For the years ended 31 December 2023 and 2022, the Group leases various offices premises, one cold storage warehouse and motor vehicle for its operations. Lease contracts are entered into for fixed term of 2 to 8 years, but may have termination options as described below. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2023, the Group reassessed the lease liabilities for a cold storage warehouse by extending one year of lease from the end of the reporting period at a result of not exercising the termination option as planned which is exercisable anytime by giving a 12-month notice, therefore, the Group recognised additional right-of-use assets of approximately HK$66,145,000 and lease liabilities of approximately HK$63,355,000 at 31 December 2023. In addition, the Group entered into a new lease agreement for the use of one motor vehicle for 5 years. On the lease commencement, the Group recognised right-of-use assets of HK$573,000 and lease liabilities of HK$573,000.

During the year ended 31 December 2022, the Group renewed and modified lease agreements for the use of offices, a cold storage warehouse and a storeroom for 2 to 3 years. On the lease commencement, the Group recognised right-of-use assets of approximately HK$10,921,000 and lease liabilities of approximately HK$10,533,000.

Termination option

The Group has termination option in a lease for its cold storage warehouse. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The termination option held is exercisable by both the Group and the lessor.

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

At 31 December 2023

	Lease liabilities recognised (discounted) HK$'000	**Potential future lease payments not included in lease liabilities (undiscounted) HK$'000**
Cold storage warehouse – Hong Kong	**72,548**	**158,902**

At 31 December 2022

	Lease liabilities recognised (discounted) HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) HK$'000
Cold storage warehouse – Hong Kong	81,715	224,333

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Termination option (continued)

In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2023, there is no such triggering event.

Lease liabilities

	2023 **HK$'000**	2022 HK$'000
Lease liabilities payable:		
Within one year	**73,918**	74,058
Within a period more than one year but not exceeding two years	**664**	10,470
Within a period more than two years but not exceeding five years	**290**	552
	74,872	85,080
Less: Amount due for settlement within twelve months shown under current liabilities	**(73,918)**	(74,058)
	954	11,022

The Group has recognised the following amounts for the year:

	2023 **HK$'000**	2022 HK$'000
Interest expense on lease liabilities	**2,404**	5,841
Depreciation of right-of-use assets	**69,355**	68,596
Expenses relating to short-term leases	**72**	95
Total amount recognised in profit or loss	**71,831**	74,532

At 31 December 2023, the weighted average effective interest rate for the lease liabilities of the Group was 5.59% per annum *(2022: 4.63%)*.

Restrictions or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessor, the right-of-use asset can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those properties in a good state of repair and return the properties in their original condition at the end of the leases.

Commitment under leases

At 31 December 2023, the Group was committed to pay approximately HK$61,000 *(2022: approximately HK$28,000)* for short-term leases.

17. EQUITY INSTRUMENT AT FVOCI

	2023 HK$'000	2022 HK$'000
Equity instrument at FVOCI	–	–

At 31 December 2022, the Group, through Brilliant Gold, a 75% owned subsidiary, held 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the BVI. The Group did not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group had no right to nominate nor appoint any director to the board of directors of Richbo and accordingly, the investment was not classified as associate.

At 31 December 2022, the equity instrument in Richbo was measured at fair value. Since Richbo remained inactive and had insignificant amount of net asset value at 31 December 2022, the management considered that the fair value of the equity instrument was minimal. During the year ended 31 December 2023, the Group disposed Brilliant Gold as set out in Note 31 to the consolidated financial statements, therefore, the Group no longer held the equity instrument in Richbo at 31 December 2023.

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2023 HK$'000	2022 HK$'000
Trade receivables from third parties		**44,856**	54,015
Less: Loss allowance	34(a)(iii)	**(314)**	(796)
	(a)	**44,542**	53,219
Loan receivables			
Loan and interest receivables from independent third parties		–	2,562
Less: Loss allowance	34(a)(iii)	–	(2,540)
	(b)	–	22
Other receivables			
Other receivables		**252**	680
Rental deposits paid		**53,431**	53,673
Deposits and prepayments		**2,831**	3,540
Other deposit paid	(c)	**6,900**	6,900
		63,414	64,793
Sub-total		**107,956**	118,034
Less: Presented under non-current assets			
Rental deposits paid		**(195)**	(53,661)
Other deposit paid		–	(6,900)
		107,761	57,473

At 1 January 2022, trade receivables from contracts with customers amounted to approximately HK$56,136,000.

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

(a) Trade receivables

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:

	2023	2022
	HK$'000	HK$'000
Within 30 days	**22,919**	23,391
31 to 60 days	**12,353**	15,486
61 to 90 days	**5,674**	6,318
91 to 120 days	**1,203**	3,052
More than 120 days	**2,393**	4,972
	44,542	53,219

At the end of the reporting period, the ageing analysis of trade receivables (net of loss allowance) by due date is as follows:

	2023	2022
	HK$'000	HK$'000
Current	**15,177**	15,463
Past due:		
1 to 30 days	**20,128**	21,532
31 to 60 days	**6,006**	10,186
61 to 90 days	**1,950**	3,027
91 to 120 days	**1,088**	1,723
More than 120 days	**193**	1,288
	29,365	37,756
	44,542	53,219

At 31 December 2023, included in the carrying amount of trade receivables is loss allowance of approximately HK$314,000 *(2022: approximately HK$796,000)*. Details of impairment assessment of trade receivables are set out in Note 34(a)(iii) to the consolidated financial statements.

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

(b) Loan receivables

At 31 December 2022, loan receivables represented two debtors with principal amounts and interest receivables of approximately HK$2,226,000 and approximately HK$336,000 respectively which were 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 31 December 2023, loan receivables represents two debtors with principal amounts and interest receivables of approximately HK$2,171,000 and approximately HK$336,000 respectively which are past due as at the reporting date for more than 365 days. At 31 December 2023, the Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period which there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. Therefore, the Group has written off these two loan receivables.

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

	2023 **HK$'000**	2022 HK$'000
Repayable on demand	–	2,562

At 31 December 2022, included in the carrying amount of loan receivables is loss allowance of approximately HK$2,540,000. Details of impairment assessment of loan receivables are set out in Note 34(a)(iii) to the consolidated financial statements.

(c) Other deposit paid

At 31 December 2023, the Group's other deposit paid represented a deposit of HK$6,900,000 *(2022: HK$6,900,000)* placed at a cold storage facility service provider in respect of the cold storage facility service, including cold storage space, related management and consulting services and logistics services for two years. Such deposit was refundable upon termination of the service with a minimum of six months notice period.

At 31 December 2023, the Group was committed to pay HK$12,400,000 *(2022: HK$18,600,000)* for such cold storage facility service.

19. PLEDGED BANK DEPOSITS

At 31 December 2023, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage service, to the extent of HK$3,500,000 *(2022: HK$3,500,000)* are secured by bank deposits amounting to HK$1,700,000 *(2022: HK$1,700,000)*. The amount utilised at 31 December 2023 was HK$1,410,000 *(2022: HK$1,410,000)*.

The pledged bank deposits bear fixed interest rate of 0.82% *(2022: 0.26%)* per annum at 31 December 2023.

The Group performed impairment assessment on pledged bank deposits balance and concluded that the probability of defaults of the counterparty banks is insignificant and, accordingly, no loss allowance is provided.

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Finished goods	**886**	1,043

21. BANK AND CASH BALANCES

Bank and cash balances comprise short-term bank deposits at average prevailing market interest rates of 0.54% *(2022: 0.02%)* per annum.

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

22. TRADE AND OTHER PAYABLES

	Note	2023 HK$'000	2022 HK$'000
Trade payables	(a)	**4,590**	5,923
Other payables			
Accruals and other payables		**2,651**	2,846
Accrued staff costs		**4,218**	6,070
Bonds interest payables		**2,992**	2,992
		9,861	11,908
		14,451	17,831

(a) Trade payables

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:

	2023 HK$'000	2022 HK$'000
Within 30 days	**3,305**	4,357
31 to 60 days	**1,245**	1,511
61 to 90 days	**33**	50
91 to 120 days	**7**	5
	4,590	5,923

23. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Cold storage and related services	**7,315**	8,561
Trading and sales of food and beverage	**51**	58
	7,366	8,619

At 1 January 2022, contract liabilities amounted to approximately HK$8,744,000.

At 31 December 2023 and 2022, none of the contract liabilities that are expected to be settled after more than 12 months. As permitted under HKFRS 15, the transaction price allocation to the unsatisfied contracts is not disclosed.

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

During the year ended 31 December 2023, revenue recognised that was included in the contract liability balances at the beginning of the year amounted to approximately HK$8,619,000 *(2022: approximately HK$8,744,000)*.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract liabilities from contracts with customers within HKFRS 15 during the year are as follows:

	2023 **HK$'000**	2022 HK$'000
At 1 January	**8,619**	8,744
Recognised as revenue	**(8,619)**	(8,744)
Receipt of advances	**7,366**	8,619
At 31 December	**7,366**	8,619

24. BANK BORROWING

	2023 **HK$'000**	2022 HK$'000
Fixed-rate unsecured bank borrowing	**35,000**	35,000
Carrying amount of bank borrowing and the maturity analysis based on the scheduled repayment date set out in the loan agreement is:		
More than one year, but not exceeding two years	**35,000**	–
More than two years, but not exceeding three years	**–**	35,000
	35,000	35,000

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

At 31 December 2023 and 2022, the borrowing is to be payable in full on 23 April 2025. The effective interest rate (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowing is 5% per annum.

25. DEFERRED TAXATION

The movement for the year in the Group's deferred tax assets (liabilities) was as follows:

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2022	18	(18)	–
Credited (Charged) to profit or loss	2	(2)	–
At 31 December 2022 and at 1 January 2023	**20**	**(20)**	**–**
(Charged) Credited to profit or loss	**(20)**	**20**	**–**
At 31 December 2023	**–**	**–**	**–**

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

Unrecognised deferred tax assets

At the end of the reporting period, the Group has unused tax losses of approximately HK$179,472,000 *(2022: approximately HK$185,989,000)* available for offset against future profits. A deferred tax has been recognised in respect of tax losses of Nil *(2022: approximately HK$118,000)*. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$179,472,000 *(2022: approximately HK$185,871,000)* due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has other deductible temporary differences of approximately HK$3,073,000 *(2022: approximately HK$6,095,000)* in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Except for the tax losses arising in the PRC, remaining tax losses are carried forward indefinitely. At the end of the reporting period, the Group has the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of five years from the year in which the tax loss was incurred:

	2023	2022
	HK$'000	HK$'000
Year of expiry		
2026	**9,107**	9,107
2027	**9,795**	9,795
2028	**2,645**	–
	21,547	18,902

26. BONDS PAYABLES

On 13 November 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds ("Original Bonds") in an aggregated principal amount of up to HK$500,000,000. The aggregate principal amount of HK$100,000,000 were issued in the years ended 31 December 2015 and 31 December 2014 with principal amount of HK$60,000,000 and HK$40,000,000, respectively.

On 14 March 2022, the Company and the bondholder entered into the deed of amendment for two-year extension with principal amount of HK$10,000,000.

On 17 November 2023, 11 December 2023 and 28 December 2023, the Company agreed to issue the bonds ("New Bonds") and four bondholders have agreed to accept the New Bonds in place of the Original Bonds in the principal amount of HK$40,000,000. The bondholders have agreed to instruct and authorise the placing agent to surrender the Original Bonds to the Company for cancellation. The monies payable by the bondholder to the Company for issuing the New Bonds shall be set off against the principal amount of the Original Bonds on a dollar-to-dollar basis.

The principal terms of the Original Bonds are summarised below:

Aggregate principal amount	:	Up to HK$500,000,000
Denomination	:	In denomination of HK$10,000,000 each in the minimum (or for any amount over HK$10,000,000, in integral multiples of HK$10,000,000 each).
Interest	:	6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.
Maturity date	:	The ninth *(2022: ninth)* anniversary of the date of issue of the relevant bonds.
Early redemption	:	The Company may at any time before the maturity date and from time to time by serving at least 60 days' *(2022: 60 days')* prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

26. BONDS PAYABLES (continued)

The principal terms of the New Bonds are summarised below:

Aggregate principal amount	:	HK$10,000,000 for each bond issued.
Denomination	:	In denomination of HK$10,000,000 each in the minimum.
Interest	:	6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.
Maturity date	:	From six months to the first *(2022: N/A)* anniversary of the date of issue of the relevant bonds.
Early redemption	:	The Company may not early redeem the bonds before the maturity date, unless agreed with the bondholders.

Bonds payables with principal amount of HK$100,000,000 *(2022: HK$40,000,000)* will mature within twelve months from the end of the reporting period date accordingly, classified as current.

At the end of the reporting period, interest on bonds payables at par value of HK$100,000,000 *(2022: HK$100,000,000)* is payable annually and the principal is repayable in full upon maturity.

27. SHARE CAPITAL

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

27. SHARE CAPITAL (continued)

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.

28. RESERVES

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(b) Capital reserve

The capital reserve represents:

(i) On 24 November 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company was consolidated into one consolidated share of HK$0.05 (the "2009 Share Consolidation"). After the completion of the 2009 Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "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; and

(ii) The credit arising for the 2022 Capital Reduction which is detailed in Note 27 to the consolidated financial statements.

(c) Exchange reserve

Exchange reserve of the Group comprises all foreign exchange differences arising from translation of the financial statements of the Group's subsidiaries. The reserve is dealt with in accordance with the accounting policies as set out in Note 3 to the consolidated financial statements.

(d) FVOCI reserve

The reserve comprises the cumulative net change in the fair value of financial assets at FVOCI at the end of the reporting period and is dealt with in accordance with the accounting policies adopted.

(e) Dividend

The Directors do not recommend the payment of a dividend for the years ended 31 December 2023 and 2022.

29. 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 31 December 2023, there are outstanding 23,208,832 *(2022: 23,208,832)* share options, entitling the holders thereof to convert into an aggregate of 23,208,832 *(2022: 23,208,832)* shares at the time upon exercise of the share options. All the 23,208,832 *(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 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.

(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 *(2022: 17,406,624)*; and

(2) Percentage of the issued share capital that it represents as at the end of reporting period: 6% *(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.

29. SHARE OPTION SCHEME (continued)

(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.

(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, form 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.

(i) The remaining life of the 2015 Scheme

Approximately 2 years *(2022: approximately 3 years)* (expiring on 1 June 2025).

29. SHARE OPTION SCHEME (continued)

(j) Outstanding options under the 2015 Scheme

At 31 December 2023

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 1 January 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2023
Category 1: Directors											
Fung Pak Kei	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
Sub-total:						11,604,416	–	–	–	–	11,604,416
Category 2: Employees											
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
Sub-total:						11,604,416	–	–	–	–	11,604,416
Total:						23,208,832	–	–	–	–	23,208,832

29. SHARE OPTION SCHEME (continued)

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

At 31 December 2022

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 1 January 2022	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31 December 2022
Category 1: Directors											
Fung Pak Kei	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
Sub-total:						5,802,208*	5,802,208	–	–	–	11,604,416
Category 2: Employees											
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
Sub-total:						5,802,208*	5,802,208	–	–	–	11,604,416
Total:						11,604,416*	11,604,416	–	–	–	23,208,832

29. SHARE OPTION SCHEME (continued)

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

Notes:

1. 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).

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 *(2022: 17,406,624 shares)* may be granted under the 2015 Scheme, representing 6% *(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.

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

29. 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	HK$0.12	HK$0.24*
– Category 2	HK$0.11	HK$0.21*
Share price immediately before the grant date	HK$0.188	HK$0.37*
Share price at grant date	HK$0.188	HK$0.39*
Exercise price	HK$0.192	HK$0.39*
Expected volatility	72.33%	71.63%
Risk-free interest rate	3.08%	1.42%
Expected dividends	Nil	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 the year ended 31 December 2023, there is no share option granted.

During the year ended 31 December 2022, with reference to the fair value of the share options at grant date, the Group recognised approximately HK$1,321,000 as the share-based compensation costs.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Details of the changes in the Group's liabilities from financing activities are as follows:

	Bank borrowing HK$'000	Lease liabilities HK$'000	Bonds interest payables HK$'000	Total HK$'000
At 1 January 2022	35,000	144,940	2,992	182,932
Financing cash flows:				
Interest paid	(1,726)	(5,841)	(6,000)	(13,567)
Repayment of lease liabilities	–	(70,323)	–	(70,323)
Non-cash transactions:				
Interest expenses	1,726	5,841	6,000	13,567
New lease entered/lease modification	–	10,533	–	10,533
Exchange realignments	–	(70)	–	(70)
At 31 December 2022 and 1 January 2023	**35,000**	**85,080**	**2,992**	**123,072**
Financing cash flows:				
Interest paid	**(1,726)**	**(2,404)**	**(6,000)**	**(10,130)**
Repayment of lease liabilities	**–**	**(74,113)**	**–**	**(74,113)**
Non-cash transactions:				
Interest expenses	**1,726**	**2,404**	**6,000**	**10,130**
New lease entered/lease reassessment	**–**	**63,928**	**–**	**63,928**
Exchange realignments	**–**	**(23)**	**–**	**(23)**
At 31 December 2023	**35,000**	**74,872**	**2,992**	**112,864**

31. DISPOSAL OF A SUBSIDIARY

On 28 June 2023, the Group disposed of its 75% interests in Brilliant Gold at a consideration of approximately HK$5,000. The details are as follows:

	2023 HK$'000
Net assets disposed of:	
Equity instrument at FVOCI	–
Other receivables	–*
	–*

	2023 HK$'000
Consideration received:	
Cash consideration	5

Analysis of net inflow of cash and cash equivalents in respect of disposal of a subsidiary:

	2023 HK$'000
Cash consideration and net inflow of cash and cash equivalents	5

	2023 HK$'000
Gain on disposal of a subsidiary:	
Consideration received	5
Net assets disposed of	–*
Non-controlling interests derecognised	12,724
	12,729

The gain on disposal of a subsidiary is included in the profit for the year in the consolidated statement of profit or loss and other comprehensive income.

* Amounts have been rounded to the nearest thousand.

32. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2023, the Group entered into the following transactions with related parties:

(1) A company controlled by a close family member of Mr. Fung Pak Kei (an executive director of the Company) made sales of goods to the Group amounted to approximately HK$171,000 *(2022: Nil)*.

(2) A company controlled by a close family member of Mr. Fung Pak Kei (an executive director of the Company) sold a motor vehicle to the Group amounted to HK$500,000 *(2022: Nil)*.

The Group did not enter into any other transaction with its related parties during the years ended 31 December 2023 and 2022.

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

Details of the remuneration for key management personnel are set out in Note 8(c) to the consolidated financial statements. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

33. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance in December 2000 for all qualifying employees including directors in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of the independent trustee. Contributions to the MPF Scheme are in accordance with the statutory limits prescribed by the MPF Ordinance. Both employees' and the Group's contributions are calculated at 5% of the employee's monthly relevant income with the mandatory cap.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Where there are employees who leave the state-managed retirement benefit schemes prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

The total cost charged to the profit or loss of approximately HK$3,329,000 *(2022: approximately HK$3,474,000)* represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no forfeited contributions under both schemes available to reduce future contributions at the end of the reporting period *(2022: Nil)*.

34. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise of equity instrument at FVOCI, rental deposits paid, other deposit paid, pledged bank deposits, bank and cash balances, bank borrowing and bonds payables. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

34. FINANCIAL INSTRUMENTS (continued)

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

The main risks arising from the Group's financial instruments are (i) interest rate risk, (ii) liquidity risk and (iii) credit risk. The Directors meet regularly and co-operate closely with key management to identify and evaluate risks and generally adopt conservative strategies on the risk management and limit the Group's exposure to these risks to a minimum as follows:

(i) Interest rate risk

The Group's exposure to market risk for changes in interest rates is related primarily to its interest-bearing financial assets including pledged bank deposits and bank balances and interest-bearing financial liabilities including fixed-rate bank borrowing (Note 24), bonds payables (Note 26) and lease liabilities (Note 16).

Since the interest rate risk is not significant, no sensitivity analysis is presented accordingly.

(ii) Liquidity risk

Management of the Group aims at maintaining sufficient level of cash and cash equivalents to finance the Group's operations and expected expansion. The Group's primary cash requirements include payments for operating expenses and additions or upgrades of property, plant and equipment. The Group finances its working capital requirements mainly by the funds generated from operations and inception of interest-bearing borrowings (if any).

The Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are summarised below:

	Weighted average effective interest rate	On demand or within 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Total contractual undiscounted cash flow	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2023							
Non-derivative financial liabilities							
Trade and other payables	–	7,001	–	–	–	7,001	7,001
Bonds payables and bonds interest payables	6.00	73,900	31,800	–	–	105,700	102,992
Lease liabilities	5.59	38,197	38,036	695	311	77,239	74,872
Bank borrowing	5.00	863	863	35,575	–	37,301	35,000
		119,961	70,699	36,270	311	227,241	219,865
At 31 December 2022							
Non-derivative financial liabilities							
Trade and other payables	–	8,212	–	–	–	8,212	8,212
Bonds payables and bonds interest payables	6.00	3,600	42,400	63,600	–	109,600	102,992
Lease liabilities	4.63	38,236	38,204	10,574	562	87,576	85,080
Bank borrowing	5.00	863	863	1,726	35,575	39,027	35,000
		50,911	81,467	75,900	36,137	244,415	231,284

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk

The carrying amount of financial assets recognised on the consolidated statement of financial position, which is net of impairment losses, represents the Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

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

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost which are subject to ECL assessment:

Type of financial assets	Notes	External credit rating	Internal credit rating	Lifetime ECL/ 12-month ECL	Gross carrying amount 2023 HK$'000	Gross carrying amount 2022 HK$'000
Trade receivables	a	N/A	Low risk	Lifetime ECL (collective basis)	**21,942**	25,025
			Low risk	Lifetime ECL (individual basis)	**22,914**	28,990
					44,856	54,015
Loan receivables	b	N/A	Write-off *(2022: Loss)*	The amount is written off *(2022: Lifetime ECL – credit-impaired)*	**–**	2,562
Other receivables	c	N/A	Low risk	12-month ECL	**252**	680
Rental deposits paid	c	N/A	Low risk	12-month ECL	**53,431**	53,673
Other deposit paid	c	N/A	Low risk	12-month ECL	**6,900**	6,900
Pledged bank deposits	c	A or above	N/A	12-month ECL	**1,700**	1,700
Bank balances	c	A or above	N/A	12-month ECL	**61,755**	60,202

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk (continued)

Notes:

(a) **Trade receivables**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period between 30 to 60 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

The Group's customer base consists of a wide range of clients and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises a loss allowance based on lifetime ECL at each reporting date. Except for trade receivables with significant balances and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's ageing of outstanding balances. Loss allowance on trade receivables of approximately HK$60,000 *(2022: approximately HK$581,000)* is recognised during the year. As part of the Group's credit risk management, the Group use internal credit rating to assess with the impairment for its customers because these customers consists of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical default rates taking into consideration the historical data and forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Group writes off trade receivables when there is information indicating that the debtors are in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtors have been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. Trade receivables amounted to approximately HK$2,059,000 have been written off during the year ended 31 December 2023 *(2022: approximately HK$703,000)*.

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk (continued)

Notes: (continued)

(a) Trade receivables (continued)

The information about the ECL for the trade receivables at 31 December 2023 and 2022 is summarised below. The gross carrying amounts of trade receivables, by credit risk rating grades, are as follows:

At 31 December 2023

Internal credit rating	**Expected loss rate %**	**Gross carrying amount HK$'000**	**ECL**	**Loss allowance HK$'000**	**Net carrying amount HK$'000**
Low risk	**0.48%**	**21,942**	**Lifetime ECL (collective basis)**	**(106)**	**21,836**
Low risk	**0.91%**	**22,914**	**Lifetime ECL (individual basis)**	**(208)**	**22,706**
		44,856		**(314)**	**44,542**

At 31 December 2022

Internal credit rating	Expected loss rate %	Gross carrying amount HK$'000	ECL	Loss allowance HK$'000	Net carrying amount HK$'000
Low risk	0.48%	25,025	Lifetime ECL (collective basis)	(120)	24,905
Low risk	2.33%	28,990	Lifetime ECL (individual basis)	(676)	28,314
		54,015		(796)	53,219

Trade receivables with significant outstanding balances with gross carrying amount of approximately HK$22,914,000 *(2022: approximately HK$28,990,000)* at 31 December 2023 for ECL were assessed individually. The default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. At 31 December 2023, loss allowance of approximately HK$208,000 *(2022: approximately HK$676,000)* is provided on these balances based on individual assessment.

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk (continued)

Notes: (continued)

(a) Trade receivables (continued)

The remaining trade receivables of approximately HK$21,942,000 *(2022: approximately HK$25,025,000)* which consists of a large number of customers which share common risk characteristics are assessed on a collective basis. The above table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis at 31 December 2023. At 31 December 2023, the Group considered these trade receivables as low risk of default. Loss allowance of approximately HK$106,000 *(2022: approximately HK$120,000)* is provided on these balances based on collective assessment, which is performed by grouping trade receivables based on the Group's internal credit rating with reference to trade receivables' ageing.

At 31 December 2023, the Group recognised loss allowance of approximately HK$314,000 *(2022: approximately HK$796,000)* on the trade receivables. The movement in the loss allowance for trade receivables is summarised below.

	2023 **HK$'000**	2022 HK$'000
At the beginning of the reporting period	**796**	272
Increase in allowance:		
Loss allowance recognised in profit or loss during the year	**60**	581
Amount written off	**(542)**	(57)
At the end of the reporting period	**314**	796

Changes in the loss allowance for trade receivables are mainly due to the written-off of a trade receivable of approximately HK$2,059,000 *(2022: approximately HK$703,000)*, the settlement in full of trade receivables with gross amount of approximately HK$54,015,000 *(2022: approximately HK$56,136,000)* and new trade receivables with gross carrying amount of approximately HK$44,856,000 *(2022: approximately HK$54,015,000)*.

There was no change in the estimation techniques or other significant assumptions made during the years ended 31 December 2023 and 2022.

The Group does not hold any collateral over trade receivables at 31 December 2023 and 2022.

At the end of the reporting period, the Group had a concentration of credit risk as 18% *(2022: 16%)* and 50% *(2022: 48%)* of the total trade receivables for cold storage and related services and trading and sales of food and beverage segments was due from the Group's largest debtors and the five largest debtors, respectively.

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk (continued)

Notes: (continued)

(b) Loan receivables

Loan receivables are assessed for ECL individually. At 31 December 2023, the credit risk of loan receivables with gross carrying amount of HK$2,507,000 were considered as write-off because the principal of the loans were overdue over 365 days and the Group had no realistic prospect of recovery. At 31 December 2022, the credit risk of loan receivables with gross carrying amount of approximately HK$2,562,000 were considered as credit-impaired because the principal of the loans were overdue over 90 days or credit-impaired.

The management of the Group estimated the amount of ECL of these balances based on the historical observed default rates over the expected life of the balances and was adjusted by forward-looking information and assessed collateral value. Based on the assessment, a reversal of loss allowance amounting HK$224,000 had been recognised in respect of the loan receivables during the year ended 31 December 2022.

The information about the ECL for loan receivables at 31 December 2022 is summarised below. The gross carrying amounts of loan receivables, by credit risk rating grades, are as follows:

At 31 December 2022

Internal credit rating	Expected loss rate %	Gross carrying amount HK$'000	ECL	Loss allowance HK$'000	Net carrying amount HK$'000
Loss (Note i)	99%	2,562	Lifetime ECL (credit impaired)	(2,540)	22

Note:

(i) At 31 December 2022, loan receivables with gross carrying amount of approximately HK$2,562,000 were assessed individually.

At 31 December 2022, loan receivables with gross carrying amount of approximately HK$2,562,000 were considered as credit-impaired as interest and the principal of the loan were either overdue over 90 days or default in payment. A reversal of loss allowance of HK$224,000 was provided for loan receivables as part of the interest and principal were received during the year ended year 31 December 2022.

34. FINANCIAL INSTRUMENTS (continued)

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

(iii) Credit risk (continued)

Notes: (continued)

(b) Loan receivables (continued)

At 31 December 2023, the Group recognised loss allowance of Nil *(2022: approximately HK$2,540,000)* on the loan receivables. The movements in the loss allowance for loan receivables is summarised below.

	2023 HK$'000	2022 HK$'000
At the beginning of the reporting period	**2,540**	2,764
Decrease in allowance:		
Reversal of loss allowance recognised in profit or loss during the year	**(55)**	(224)
Amount written off	**(2,485)**	–
At the end of the reporting period	–	2,540

Changes in the loss allowance for loan receivables are mainly due to the written-off of loan receivables of approximately HK$2,507,000 *(2022: Nil)*.

There was no change in the estimation techniques or significant assumptions made during the years ended 31 December 2023 and 2022.

At 31 December 2022, the Group held a collateral of a painting over a secured loan receivable with principal amount of approximately HK$2,200,000 which carried fixed-rate interests at 12% per annum. The fair value of this collateral was approximately HK$3,184,000 which was based on recent market transactions for identical assets. The Group was permitted to sell or pledge such collateral in the event of the default.

At 31 December 2022, the Group had a concentration of credit risk as 87% and 100% of the total loan receivables was due from the Group's largest debtor and the two debtors, respectively.

(c) Other financial assets

ECL for all other instruments including other receivables, rental deposits paid and other deposit paid are assessed individually. All other instruments that are considered, with reference to internal credit rating, as low risk are assessed under 12-month ECL. All other instruments that are considered as doubtful or loss are assessed under lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The Group has assessed and concluded that the risk of default rate for other financial assets are steady based on the Group's assessment of the financial health of the counterparties, historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the ECL of the other financial assets of the Group is insignificant at 31 December 2023 and 2022.

The Group has concentration of credit risk relating to pledged bank deposits of HK$1,700,000 *(2022: HK$1,700,000)*, rental deposits paid of approximately HK$53,431,000 *(2022: approximately HK$53,673,000)* and other deposit paid of HK$6,900,000 *(2022: HK$6,900,000)* to a service provider, landlords and a service provider respectively.

The credit risk on liquid funds and pledged bank deposits are limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

34. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

Categories of financial instruments of the Group are set out as follows:

	Notes	2023 HK$'000	2022 HK$'000
Financial assets			
Financial assets at FVOCI	(i)	–	–
Financial assets at amortised cost	(i)	**168,779**	176,608
Financial liabilities			
Financial liabilities measured at amortised cost	(ii)	**144,992**	146,203

Notes:

(i) Financial assets at amortised cost include rental deposits paid, other deposit paid, trade and other receivables, pledged bank deposits and bank and cash balances.

(ii) Financial liabilities at amortised cost include trade and other payables, bank borrowing and bonds payables.

35. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these 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	
	2023 HK$'000	2022 HK$'000
Financial assets at FVOCI		
Unlisted equity investment (Note 17)	–	–

During the years ended 31 December 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.

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

(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 31 December 2023 and 2022.

36. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Directors consider the total equity as disclosed in the consolidated statement of financial position as the Group's capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or return capital to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Interest in a subsidiary	14	**1**	1
Amounts due from subsidiaries		**87,087**	95,273
		87,088	95,274
Current assets			
Other receivables, deposits and prepayments		**599**	388
Amounts due from subsidiaries		**24,784**	32,390
Bank balances		**11,905**	11,869
		37,288	44,647
Current liabilities			
Other payables		**3,798**	3,799
Bonds payables	26	**100,000**	40,000
Amount due to a subsidiary		**–**	35,242
		103,798	79,041
Net current liabilities		**(66,510)**	(34,394)
Non-current liability			
Bonds payables	26	**–**	60,000
NET ASSETS		**20,578**	880
Capital and reserves			
Share capital	27	**2,901**	2,901
Reserves	37(a)	**17,677**	(2,021)
TOTAL EQUITY		**20,578**	880

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

(a) Movements of the reserves

	Notes	Share premium HK\$'000 (Note 28(a))	Capital reserve HK\$'000 (Note 28(b))	Contributed surplus HK\$'000	Share option reserve HK\$'000 (Note 29)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2022		381,060	39,984	84,239	2,623	(528,250)	(20,344)
Loss for the year and total comprehensive expense for the year		–	–	–	–	(9,108)	(9,108)
Transactions with owners:							
Contributions and distributions							
Recognition of share-based compensation costs	29	–	–	–	1,321	–	1,321
2022 Capital Reduction	27	–	26,110	–	–	–	26,110
Total transaction with owners		–	26,110	–	1,321	–	27,431
At 31 December 2022		381,060	66,094	84,239	3,944	(537,358)	(2,021)
At 1 January 2023		**381,060**	**66,094**	**84,239**	**3,944**	**(537,358)**	**(2,021)**
Profit for the year and total comprehensive income for the year		**–**	**–**	**–**	**–**	**19,698**	**19,698**
At 31 December 2023		**381,060**	**66,094**	**84,239**	**3,944**	**(517,660)**	**17,677**

Other than contributed surplus which is subject to clause 54 (1) of Companies Act 1981 of Bermuda, no other distributable reserve is available for distribution to shareholders by the Company.

38. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2024, 5 February 2024 and 12 March 2024, the Company has agreed to issue the bonds ("2024 Bonds") and four bondholders have agreed to accept the 2024 Bonds in place of the Original Bonds in the principal amount of HK\$40,000,000.

FINANCIAL SUMMARY

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$	HK$	HK$	HK$	HK$
Revenue	**298,386**	273,308	235,068	254,636	289,615
Profit (Loss) for the year	**15,233**	4,760	(80,270)	(40,584)	(67,138)

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$	HK$	HK$	HK$	HK$
Total assets	**252,538**	265,206	324,692	458,535	585,460
Total liabilities	**(231,689)**	(246,530)	(310,897)	(367,620)	(468,738)
	20,849	18,676	13,795	90,915	116,722
Attributable to:					
Equity holders of the Company	**20,849**	15,513	10,632	87,752	113,559
Non-controlling interests	**–**	3,163	3,163	3,163	3,163
	20,849	18,676	13,795	90,915	116,722