DAIDO

ANNUAL REPORT
年報
2021

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

DAIDO GROUP LIMITED
大同集團有限公司

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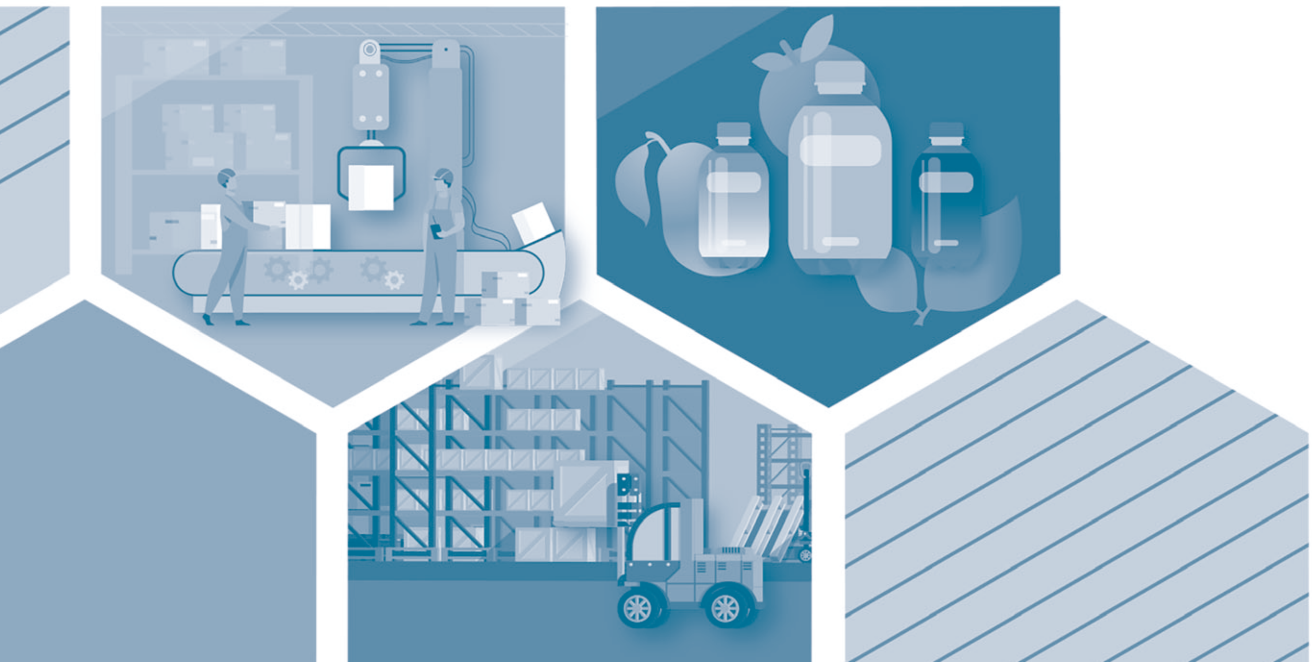


CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*
Mr. Fung Pak Kei

Non-executive Directors

Mr. Au Tat Wai
Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMPANY SECRETARY

Mr. Cheung Hoi Kin

STOCK CODE

00544

WEBSITE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Hang Seng Bank Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

ACTING CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2021.

Since year 2020, the outbreak of coronavirus and its viral spread affected the global economy. Coronavirus infections at the city have led to numerous quarantines, hygiene and social distancing regulations being imposed by the Government of Hong Kong Special Administrative Region ("Hong Kong Government"), which has affected most local sectors and industries.

The Group was not spared from the pandemic fallout. Despite the bleak operating environment, the Group has been able to improve 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 saw a decline in demand from food and beverage ("F&B") catering customers. This was due to the stringent precautionary measures imposed by the HKSAR Government for restaurants and eateries, including banning dine-in services after 6 pm and restricting the number of customers to two per table. At the height of the pandemic, bars and pubs had to temporarily closed altogether. However, the Group has been swift to hedge the risk by diversifying its client base to attract new customers in need of warehouse storage and logistics services during the crisis, including supermarkets and frozen food outlets who demand more cold storage services while consumers prefer to cook for themselves instead of dining in public venues.

Operational efficiency at our warehouse and storage facilities was also raised to soften the pandemic's impact. Upgrading our racking system and storage space at our warehouses were important measures taken to raise our revenue and alleviate our losses. Another major challenge facing us was the increasing operational cost. The additional expenses incurred in reinforcing food safety, cleanliness and hygiene at our cold storage facilities amid the pandemic had put strain on our operations. As a socially responsible organization, the Group has followed HKSAR government's guidelines closely to ensure food safety couple with employee health and safety at our warehouse premises.

In Mainland China, the Group runs a food and beverage distribution business through its network of supermarkets and convenient stores. In year 2021, we conducted internal business restructuring, adjusted our product portfolio, selected high-margin retail products and adopted effective but less costly sales channels. And we notice the increasing trend that people make their daily purchases through various online platforms. In particular, we expand our online trading network through launching a Business to Customer ("B2C") retail network in Hong Kong to reach consumers directly.

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

In the meantime, the Group will continue to run its businesses at optimal. For our core business segment, we will continue upgrading and improving the operational efficiency of our cold storage facilities, managing cost effectively and flexibly realigning our business strategies to better manage risks and optimize returns. We will do the same for our trading business 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 financial year ended 31st December, 2021, the Group's total revenue amounted to approximately HK$235 million, representing a decrease of about 7.7%, compared to approximately HK$255 million from the preceding year.

For the year ended 31st December, 2021, the Group recorded a loss of approximately HK$80.3 million compared to the loss of approximately HK$40.6 million recorded in the year ended 31st December, 2020, which is equivalent to increase in loss of 97.8%.

The Board considers that the increase in the loss is primarily attributable to (1) the Group no longer receives any government subsidies under the Employment Support Scheme from the Government's Anti-epidemic Fund established by the Hong Kong Government as a result of the outbreak of the coronavirus (COVID-19); (2) the one-off loss and expense recorded due to the disposal of an associate and the termination of a management service agreement with the associate; (3) the decline in turnover and gross margin in the Mainland China-based trading business due to the downturn of the macro economy and market competition; (4) the brand building and marketing costs incurred for a newly launched Original Equipment Manufactured ("OEM") beverage product in Mainland China; and (5) the continuance of the coronavirus (COVID-19) pandemic.

REVIEW OF OPERATING SEGMENTS

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

Cold storage and logistics

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

The COVID-19 pandemic and US-China trade tensions continued in year 2021, trading activities through Hong Kong were adversely affected, which in turn dampened the warehousing and logistics sector as a whole. On a related matter, we encountered continuous shipment delays causing operational inefficiency and deferrals of cold storage income. For the first half of year 2021, follow the introduction of the government rule of limited dine-in hours and number of customers served at each table, the food and beverage ("F&B") catering operators had severely suffered. The F&B catering operators were facing drastic reduction of dine-in activities therefore their demand for frozen food reduced. This had adversely affected the Group's cold storage turnover from its F&B customers. Therefore, the Group has sought to diversify its customer base in order to acquire customers that demand higher usage of warehouse storage and logistics services.

Furthermore, during the year, the Group entered into a termination agreement with the associate and ceased from the provision of management service to the associate. This echoed with our strategy to screen out non-performing businesses with an aim to re-allocate the Group's resources efficiently and to achieve sustainable corporate growth in the long run.

On the other hand, the Group has noticed the increasing demand for warehouse storage and logistics service during the pandemic from grocery distributors, supermarkets and frozen-food outlets. In response to the increasing market demand, the Group has initiated extension of temperature-controlled areas at our Kwai Hei Street warehouse and commenced operation in the third quarter of 2021. In addition, the Group has signed a facility service agreement at Tsing Yi in the fourth quarter of 2021, which provides us with one more cold storage warehouse in order to dealt with potential increasing demand from our customers in storage volume.

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage and logistics (continued)

The Group's operating margins were severely impacted by the increasing operating costs of the cold storage and logistics business in times of pandemic. The Group had followed the recommended guidelines issued by the Department of Health of the Government of Hong Kong Special Administrative Region ("Hong Kong Government"), and had incurred additional costs on warehouse disinfection and the food package of cold stores at a higher level, as well as regular body temperature monitoring for all employees working onsite. We will continue to apply these actions to protect our employees and customers.

There was a considerate increase of rental cost imposed by our landlord for the cold storage warehouse that the Group operated since early 2021. However, we had encountered challenges to transfer some of the relevant cost increments to our customers amid the weak economic condition.

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

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

Trading of food and beverage products

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

Due to the pandemic gloom and weaker consumer demand during the year ended 31st December, 2021, stringent cost control measures were implemented to maintain the segment's profitability. The Group ceased certain wholesale channels with lower margins and focused its resources to grow the more profitable ones.

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

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

Money lending

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Having a difficult time in year 2020, entering 2021, the Hong Kong economy is on the path to recovery, with the improving global economic conditions and receding local epidemic. For the first half of 2021, real GDP grew by 7.8% as compared against the same period from 2020 and posted further solid growth of 5.5% and 4.8% respectively in the third and fourth quarters. However, the economic recovery remained uneven as the spread of more infectious COVID-19 variants in many places of the world continues to cast uncertainty over the global economic outlook, whilst other risk factors such as the China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attentions.

Locally, the stabilised epidemic situation and roll-out of the Consumption Voucher Scheme (CVS) help stimulate consumer sentiment and provide the much-needed support to consumption-related sectors.

Although exports of goods were robust and surpassed the peak reached in the same period of 2018, tourism industry remained at a standstill due to the pandemic. Consumption-related activities had improved further in the first two quarters of 2021 but were still notably below their pre-pandemic levels. The fifth wave of COVID infections in Hong Kong during Q1 2022 may impose further uncertainties on Hong Kong's road to economic recovery. We expect the global pandemic-driven recession will continue this year, but the Group's cold storage and logistics operations in Hong Kong as well as food and beverage distribution operations in Mainland China are expected to gradually recover.

Cold storage and logistics

With the effective classifications of dining areas over the restaurants (A, B, C, and D areas) and the relief of the social distancing measures in due course under the Hong Kong Government's the Prevention and Control of Disease Regulation, the F&B sector will be on road to recovery and will utilise more warehousing spaces for food storage.

In addition, the launch of the CVS in August 2021 help stimulate consumer demand and provide much-needed support to consumption-related sectors in Hong Kong. We expect the next round of CVS (expected to be launched in April 2022) will spur customer consumptions and in turn increase demand from food retailers and the grocery sectors for food storage spaces.

Since the pandemic is still ongoing, we will continue to diversify our customers base and reach out more operators of supermarket and frozen-food outlets with their stronger need for cold storage facilities in the pandemic. We had renovated our Kwai Hei Street warehouse and replaced the cooling system with the aims to achieve operational efficiency and to observe environmental protection.

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

Trading of food and beverage products

The Group continued to conduct internal business restructuring throughout the year 2021, source quality suppliers and products, replace underperforming products and sales channels, realign our retail prices in tandem with market conditions and keep adjusting our portfolio with the incorporation of high-margin products. To save on expenses, we attempt to explore less costly sales channels without compromising effectiveness such as online channels.

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

CAPITAL REORGANISATION

After a review of the capital structure of the Company, the Board have implemented a capital reorganisation (the "Capital Reorganisation") on 24th March, 2022. Capitalised terms used herein shall have the same meaning as defined in the Company's announcements dated 31st January, 2022; 10th February, 2022; 8th March, 2022 and 22nd March, 2022 (the "Announcements") and the Company's circular dated 25th February, 2022 (the "Circular") unless the context requires otherwise.

The Capital Reorganisation comprises the following:

(i) every ten (10) issued shares were consolidated into one (1) Consolidated Share (the "Share Consolidation");

(ii) following the Share Consolidation, the issued share capital of the Company was reduced by (a) rounding down the total number of Consolidated Shares to the nearest whole number (if necessary); and (b) cancelling the paid up capital of the Company to the extent of HK$0.09 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share was reduced from HK$0.10 to HK$0.01 (the "Capital Reduction"); and

(iii) immediately following the Capital Reduction, all the credits arising from the Capital Reduction was transferred to the capital reserve of the Company.

In light of the closing prices of the issued shares were below HK$0.1 in a number of trading days. Accordingly, the Company implemented the Capital Reorganisation which would provide greater flexibility to the Company to carry out fund raising exercises in the future.

For details of the Capital Reorganisation are set out in the Announcements and the Circular.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

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

The Group continues to put efforts to improve our overall competitiveness, we must continue to uphold our high standard of food storage to continuously match the relevant government standards. We will explore avenues to maximise utilisation of cold storage facilities, such as improving the warehouse racking system to boost storage capacity and implementing the use of technology in order to meet increasing customer demand.

The Group's main strategy is to pursue sustainable corporate growth. Not only are we dedicated to improving our profit margins, we also endeavor to strengthen our wholesale chain in trading and food distribution by way of different marketing strategies and product mix expansion to engage more consumers. We have developed a new OEM beverage product to drive sales not only through our traditional offline distribution network but also online platform in Mainland China. In addition, the online grocery platform that we developed in Hong Kong, driven by KOLs, facilitate enjoyable online shopping experience for our Hong Kong customers.

With the vaccine rollout, the Group remains cautiously optimistic that recovery is just around the corner for Hong Kong, Mainland China and increasingly more parts of the world. Guided by our corporate strategy and long-term business model, we are committed to improving the financial and operational values of all our business segments and spearheading their expansion into Mainland China. We would like to convey our gratitude to our shareholders for their firm support, in the commitment to optimise their returns for their investments in our Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31st December, 2021	2020
Loss per share – basic and diluted (restated 2020)	HK cents	**(27.7)**	(16.2)
Net assets per share attributable to owners of the Company	HK$	**0.37**	3.02
Current ratio	times	**1.25**	0.83
Total liabilities to total assets ratio	times	**0.96**	0.80
Gearing ratio	%	**1,175.7**	68.4
Return on equity ratio	%	**-755.0**	-46.2
Return on assets	%	**-24.7**	-8.9
Assets turnover ratio	times	**0.72**	0.56

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2021, the Group had bank balances and cash of approximately HK$59.9 million (2020: HK$69.8 million), which was denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") as to 70.9% and 29.1%, respectively. The decrease was mainly due to reduce in cash generated from operations.

The gearing ratio, measured as non-current borrowings (excluded lease liabilities) over equity attributable to owners of the Company was approximately 1,175.7% as at 31st December, 2021 (2020: approximately 68.4%). The significantly increase of the gearing ratio was caused by the extension of bonds and renewal of bank borrowing during the year whereas such items are reclassified from current borrowings to non-current borrowings.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 31st December, 2021, it is noted that the bonds in an aggregate principal amount of HK$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31st December, 2020.

During the year ended 31st December, 2021, the Company and the placing agent entered into the deed of amendment to extend the maturity date with principal amount of HK$90 million for two years. Subsequent to the end of the reporting period, the maturity date of the remaining bond with principal amount of HK$10 million is also extended for two years.

As at 31st December, 2021, the Group had a bank borrowing of HK$35 million (2020: HK$35 million) denominated in HK$. As at 31st December, 2020, the maturity of borrowing is April 2021. During the year ended 31st December, 2021, the Group had entered into a supplemental loan agreement with the bank and the maturity of the borrowing is extended to April 2023 with a fixed interest rate of 5% per annum (2020: 5% per annum). As at 31st December, 2021, the banking facility utilised was HK$35 million (2020: HK$35 million).

During the year under review, 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 balances and cash are held mainly in HK$.

Exposure to fluctuations in exchange rates and related hedges

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

During the year ended 31st December, 2021, the Group did not have any material foreign exchange exposure and had not used any financial instruments for hedging purpose.

Share capital structure

As at 31st December, 2021, the total issued share capital of the Company was HK$29,011,040 (2020: HK$29,011,040) divided into 2,901,104,000 ordinary shares (2020: 2,901,104,000 ordinary shares) with a par value of HK$0.01 each.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

In September 2021, the Group disposed of the entire interest in an associate to the other existing shareholder of the associate. Other than the above, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year ended 31st December, 2021.

For details , please refer to the Company's announcements dated 17th September, 2021 and 30th September, 2021.

The table below sets out the status of utilisation of the net proceeds from disposal of the entire interest in an associate in accordance with the intended application as at 31st December, 2021 and 31st March, 2022:

Intended application of the net proceeds	Approximate percentage of net proceeds allocated	Approximate amount of net proceeds allocated HK$'000	Amount utilised as at 31st December, 2021 HK$'000	Amount utilised as at 31st March, 2022 HK$'000
General working capital				
– Working capital and general corporate purposes	100%	14,284	10,750	14,284

During the year ended 31st December, 2020, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures except for the disposal of a subsidiary.

FINANCIAL REVIEW (continued)

Charges on assets

As at 31st December, 2021, bank facilities for providing guarantees by a bank in favour of the Group's operation of cold storage service, to the extent of HK$3.5 million (2020: HK$3.5 million) are secured by bank deposits amounting to HK$1.7 million (2020: HK$3.5 million). The amount utilised at 31st December, 2021 was approximately HK$1.4 million (2020: HK$1.4 million).

As at 31st December, 2020, bank deposits amounting to of approximately HK$64.3 million are pledged to a bank, as bank guarantee issued in favour of one landlord for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements. During the year ended 31st December 2021, the Group has negotiated with the landlord for the guarantee arrangement of tenancy agreement and as a result, the pledged bank deposits amounting to approximately HK$64.3 million are released from the bank, and the Group paid a cash deposit with an amount equivalent to six months' rent payable amounting approximately HK$34.8 million to the landlord.

In addition, within the Group's lease liabilities of approximately HK$144.9 million (2020: HK$206 million), approximately HK$0.4 million (2020: HK$0.6 million) were secured by the lessors' charge over the leased assets with carrying value of approximately HK$0.4 million (2020: HK$0.6 million).

Future plans for material investments or capital assets

During the year ended 31st December, 2021 and 2020, the Group did not have any concrete future plans for material investments or capital assets except for, as and when necessary, the new OEM beverage product in Mainland China and the online B2C ecommerce grocery platform in Hong Kong as mentioned above.

Contingent liabilities

For the year ended and as at 31st December, 2021, the Group did not have any contingent liabilities (2020: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2021, the total number of full-time employees of the Group in Hong Kong and Mainland China were approximately 190 and 50 respectively (2020: approximately 230 Hong Kong employees; 40 Mainland China employees). Total staff related costs for the year ended 31st December, 2021 amounted to approximately HK$78,568,000 (2020: HK$78,483,000). 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. HO HON CHUNG, IVAN, aged 67, 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. FUNG PAK KEI, aged 39, has been appointed as Executive Director of the Company in June 2019. Subsequently, Mr. Fung has been appointed as Chief Operating Officer of the Group. He has also served as a director of certain 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 PricewaterhouseCoopers from 2005 to 2017 and was focusing on merger & acquisition and tax planning and has been involved in various international/regional business advisory projects. Mr. Fung founded GIK Business Consulting Limited ("GIK"), which is focusing on a wide range of business consulting and also has been a director of GIK since 2017.

MR. AU TAT WAI, aged 49, 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 60, is currently a Non-executive Director of the Company. Mr. Fung joined the Group as an Executive Director and the Chief Executive Officer in October 2003. He was appointed as the Deputy Chairman of the Group in April 2004 and became the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Group in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 78, joined the Group as an Independent Non-executive Director of the Company in August 2009. He is also the chairman of remuneration committee and a member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years of experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading services in Hong Kong.

MR. LEUNG CHI HUNG, aged 66, joined the Group as an Independent Non-executive Director of the Company in September 2003. He is also the chairman of audit committee and a member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of Finet Group Limited, REF Holdings Limited, WT Group Holdings Limited and Zhongzheng International Company Limited, those companies are listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 54, joined the Group as an Independent Non-executive Director of the Company in August 2003. He is also the chairman of nomination committee and a member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Lam. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Vice President of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2021.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

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

An analysis of the Group's performance during the year using financial key performance indicators is also provided in the Management Discussion and Analysis on page 9 which forms part of the Directors' Report but not part of the audited consolidated financial statements.

Key risks and uncertainties

In addition, description of the principal risks and uncertainties facing the Group are provided in the Management Discussion and Analysis and notes 4, 35 and 36 to the consolidated financial statements attached to this Annual Report.

Compliance with laws and regulations

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

Environmental policies and performance, and relationships with key stakeholders

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2021, 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 15% of the Group's total revenue.

For the year ended 31st December, 2021, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 46% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 31% 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 14 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2021 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income of this Annual Report.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31st December, 2021 (2020: nil).

RESERVES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2021, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2020: HK$84,239,000) and accumulated losses of HK$528,250,000 (2020: HK$453,144,000).

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

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

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

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

BANK BORROWING

Details of bank borrowing of the Group as at 31st December, 2021 are set out in note 25 to the consolidated financial statements.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

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

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

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

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

Intended application of the net proceeds	Approximate percentage of net proceeds allocated	Approximate amount of net proceeds allocated HK$'000	Amount utilised as at 31st December, 2020 HK$'000	Amount utilised as at 31st December, 2021 HK$'000
General working capital				
– Working capital and general corporate purposes	69%	7,922	–	7,922
– Repayment of interest expense on bonds	31%	3,600	–	3,600
Total	100%	11,522	–	11,522

SHARE CAPITAL

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for the placing of the Company's new shares in 2020 as disclosed in note 28 to the consolidated financial statements and the paragraph headed "Subscription of New Shares under General Mandate", neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment. The 2006 Scheme had been terminated in 2015 and no further share options may be granted under the 2006 Scheme.

Particulars of the 2015 Scheme of the Company are set out in note 31 to the consolidated financial statements. There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

As at 31st December, 2021, there are outstanding 116,044,160 share options, entitling the holder(s) thereof to convert into an aggregate of 116,044,160 shares at the time upon exercise of the share options. All the 116,044,160 share options are granted under the 2015 Scheme and there are no other share options granted under the 2015 Scheme.

Set out below are the details of the movements of the Company's share options granted and accepted under the 2015 Scheme during the year:

					Number of share options					
Grantees	Date of grant (the "Grant Date")	Exercise price per Share HK$	Closing price Immediately before the Grant Date HK$	Exercise period	Outstanding as at 1st January, 2021	Granted and accepted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31st December, 2021
Directors and Chief Executive										
Fung Pak Kei	30th April, 2021	0.039	0.037	1st January, 2022 to 29th April, 2031	0	29,011,040	0	0	0	29,011,040
Ho Hon Chung, Ivan	30th April, 2021	0.039	0.037	1st January, 2022 to 29th April, 2031	0	29,011,040	0	0	0	29,011,040
Others										
Employees	30th April, 2021	0.039	0.037	1st January, 2022 to 29th April, 2031	0	58,022,080	0	0	0	58,022,080
Total					0	116,044,160	0	0	0	116,044,160

SHARE OPTION SCHEME (continued)

Pursuant to the terms of the 2015 Scheme, the adjustments in relation to the outstanding share options to be made upon the Capital Reorganisation having become effective on 24th March, 2022 would be as follows:

		Before adjustment		After adjustment	
Grantees	Date of grant	Number of shares at the time to be issued upon full exercise of the outstanding share options	Exercise price per shares at the time HK$	Number of consolidated shares to be issued upon full exercise of the outstanding share options	Adjusted exercise price per consolidated shares HK$
Fung Pak Kei	30th April, 2021	29,011,040	0.039	2,901,104	0.39
Ho Hon Chung, Ivan	30th April, 2021	29,011,040	0.039	2,901,104	0.39
Employees	30th April, 2021	58,022,080	0.039	5,802,208	0.39
	Total	116,044,160	**Total**	11,604,416	

Under the existing scheme mandate limit of the 2015 Scheme (as refreshed at the annual general meeting of the Company held on 27th May, 2021) as at 31st December, 2021, the Company will be able to grant a further of 290,110,400 share options under the 2015 Scheme, entitling the holder(s) thereof to subscribe for up to 290,110,400 shares at the time. Upon the Capital Reorganisation having become effective on 24th March, 2022, the Company will be able to grant a further of 29,011,040 share options, entitling the holder(s) thereof to subscribe for up to 29,011,040 consolidated shares.

Apart from the aforesaid Share Option 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 31st December, 2021 and as at the latest practicable date prior to the issue of this Annual Report.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2021, save as disclosed below, so far as is known to the Company's Directors or chief executives of the Company, no person (other than the Company's Directors or chief executives of the Company) had interests or short positions in any shares or underlying shares of the Company which will fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO"), or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO and no person (other than the Company's Director or chief executive of the Company), had an interest or short position in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

Long positions 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	468,800,000	–	16.16%
William Waileung Kong (Note 1)	Interest of controlled corporation	–	468,800,000	16.16%
Ever Achieve Enterprises Limited (Note 2)	Beneficial owner	202,323,133	–	6.97%
Grand Legacy Holdings Limited (Note 2)	Interest of controlled corporation	–	202,323,133	6.97%
Premium Access Holdings Limited (Note 2)	Interest of controlled corporation	–	202,323,133	6.97%

Notes:

1. The entire issued share capital of Great Virtue Holding Limited ("Great Virtue") is beneficially owned by Mr. William Waileung Kong, and therefore, Mr. William Waileung Kong is deemed to be interested in the same number of shares of the Company in which Great Virtue is interested under provisions of SFO.

2. The shares were held by Ever Achieve Enterprises Limited ("Ever Achieve"). Each of Grand Legacy Holdings Limited and Premium Access Holdings Limited owned as to 50% of Ever Achieve and, therefore, they are deemed to be interested in 202,323,133 shares held by Ever Achieve.

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

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

3. The percentages are calculated based on the total number of shares of the Company in issue as at 31st December, 2021 which was 2,901,104,000.

DIRECTORS' REPORT

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. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*
Mr. Fung Pak Kei

Non-executive Directors

Mr. Au Tat Wai
Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

At the forthcoming annual general meeting, ordinary resolutions will be proposed to re-elect Mr. Au Tat Wai and Mr. Fung Wa Ko, both as Non-executive Directors; Mr. Fung Siu Kit, Ronny, as Independent Non-executive Director.

DIRECTORS' SERVICE CONTRACTS

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

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Updated biographies of the current Directors are set out in the Directors of the Company section of this Annual Report, as well as the changes in their emoluments as set out in note 11 to the consolidated financial statements.

Changes in Director's information under Rule 13.51B (1) of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange are as follows:

– Mr. Leung Chi Hung, an Independent Non-executive Director of the Company, resigned as an independent non-executive director of Evergreen International Holdings Limited (a company listed on the Stock Exchange) with effect from 5th January, 2022.

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

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

INTERESTS OF DIRECTORS

As at 31st December, 2021, save as disclosed below, none of the Company's Directors or chief executives of the Company nor their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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	202,323,133	29,011,040	231,334,173	7.97%
Ho Hon Chung, Ivan	Interest of controlled corporation and beneficial owner	202,323,133	29,011,040	231,334,173	7.97%

Notes:

1. Ever Achieve Enterprises Limited ("Ever Achieve") is 100% owned by 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 31st December, 2021 which was 2,901,104,000.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" above, at no time during the year ended 31st December, 2021 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 below in the paragraph headed "Directors' Interests in Competing Business" and note 38 to the consolidated financial statements attached to this Annual Report.

Notwithstanding the above, no transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who at any time in 2021 was a Director or his or her connected entity had, directly or indirectly, a material interest was entered into at any time during the year or subsisted at the end of the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

Brilliant Cold Chain Solutions Limited ("BCCS"), a direct wholly-owned subsidiary of Loving Peace, engaged in the same business of cold storage business in Hong Kong as the Group. According to the joint venture agreement, BCCS had entered into a management service agreement (the "Management Service Agreement") with Gold View Management Limited ("Gold View"), an indirect wholly-owned subsidiary of the Company, pursuant to which BCCS agreed to pay the management fee to Gold View for providing of cold store management services by Gold View to BCCS, subject to the terms and conditions as therein. Please refer to the announcements of the Company dated 6th September, 2018 and 29th October, 2018, and the circular of Company dated 31st October, 2018 for further details.

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

Upon completion of the sale and purchase agreement on 30th September, 2021, the Group and Mr. Fung Pak Kei ceased to hold any shareholdings in Loving Peace and BCCS, and also Loving Peace and BCCS both ceased to be associate of the Company.

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

PERMITTED INDEMNITY PROVISION

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

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

MANAGEMENT CONTRACTS

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

EMOLUMENT POLICY

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

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

CORPORATE GOVERNANCE

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

AUDITOR

The financial statements for the year ended 31st December, 2021 have been audited by Messrs. Deloitte Touche Tohmatsu, which retires and, being eligible, offers itself for re-appointment at the 2022 AGM. A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu and to authorise the Directors to fix its remuneration will be proposed at the 2022 AGM.

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

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

Approved by the Board on 31st March, 2022

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 and Corporate Governance Report in Appendix 14 (the "CG Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviations in paragraph headed "Chairman and Chief Executive".

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

CORPORATE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2021 and up to the date of this annual report are:

Executive Directors

Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*
Mr. Fung Pak Kei

Non-executive Directors

Mr. Au Tat Wai
Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on page 12 of this annual report.

Except that each of Mr. Ho Hon Chung, Ivan and Mr. Fung Pak Kei, through their wholly-owned companies, indirectly holds 50% of the issued share capital of Ever Achieve Enterprises Limited, a company holding 202,323,133 shares of the Company, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

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

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

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

Role and Functions of the Board

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

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

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

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year ended 31st December, 2021, 1 general meeting and 12 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in Board meetings
Executive Directors		
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*	1/1	12/12
Mr. Fung Pak Kei	1/1	12/12
Non-executive Directors		
Mr. Au Tat Wai	0/1	11/12
Mr. Fung Wa Ko	1/1	11/12
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	11/12
Mr. Leung Chi Hung	0/1	11/12
Mr. Tse Yuen Ming	1/1	11/12

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

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

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

BOARD OF DIRECTORS (continued)

Continuing Professional Development

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

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

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

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2021, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	Topics on training covered (Notes)
Executive Directors	
Mr. Ho Hon Chung, Ivan *(Acting Chief Executive Officer)*	(a), (c)
Mr. Fung Pak Kei	(a)
Non-executive Directors	
Mr. Au Tat Wai	(a), (c)
Mr. Fung Wa Ko	(a), (c)
Independent Non-executive Directors	
Mr. Fung Siu Kit, Ronny	(a), (c)
Mr. Leung Chi Hung	(a), (b), (c)
Mr. Tse Yuen Ming	(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 CG Code. The insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal

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

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

Mr. Fung Wa Ko, a Non-executive Director, who was re-elected by the Shareholders in the 2019 annual general meeting, had entered into the letter of appointment with the Company on 31st May, 2019.

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

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

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

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year ended 31st December, 2021, 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 31st December, 2021, there was no meeting held between the Chairman and the Independent Non-executive Directors without the presence of other Directors and the Company did not comply with the code provision A.2.7 of the CG Code.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and invite the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the year ended 31st December, 2021, the Company did not comply with code provision E.1.2 of the CG Code.

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

COMMITTEES OF THE BOARD

Nomination Committee

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

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Director's Nomination Policy

The director's nomination policy of the Company (the "Nomination Policy") was adopted by the Board and became effective on 1st January, 2019 and the Nomination Committee is responsible for execution.

Director Nomination Process

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

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

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

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

COMMITTEES OF THE BOARD (continued)

Nomination Committee (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 Selection Criteria

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

1. the highest personal and professional ethics and integrity;

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

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

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

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

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

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

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

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

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Au Tat Wai, Mr. Fung Wa Ko and Mr. Fung Siu Kit, Ronny will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31st December, 2021, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

The Nomination Committee formulated the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

The Nomination Committee reviews the composition of the Board from diversified angles up to the date of this annual report and summarised as follows:

		No. of Director
Age group:	35–50	2
	51–60	2
	≥ 61	3
Gender:	Male	7
	Female	0
Educational background:	Hong Kong	3
	Overseas	4
Professional experience:	Professional associated	3
	Entrepreneur/Merchant	4
Length of service (year):	1–10	1
	≥ 11	6
Designation:	Executive Director	2
	Non-executive Director	2
	Independent Non-executive Director	3

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. the number of independent non-executive directors should be not less than three and one-third of the Board;

2. at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; and

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

The Board has achieved the measurable objectives under board diversity policy for the year ended 31st December, 2021.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy of the Company, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the board diversity policy of the Company and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy of the Company.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

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

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

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

Remuneration package for Executive Directors:

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

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

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

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

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2021 are set out in note 11 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and note 31 to the consolidated financial statements.

During the year ended 31st December, 2021, 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; and

- Reviewed the remuneration package of the board members and senior management of the Group and made recommendation to the Board.

COMMITTEES OF THE BOARD (continued)

Audit Committee

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

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

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

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

During the year ended 31st December, 2021, the Audit Committee had performed the following work:

1. Financial Reporting

   - reviewed the audited consolidated financial statements for the year ended 31st December, 2020 in conjunction with the external auditor and the unaudited financial statements for 3 months ended 31st March, 2021, 6 months ended 30th June, 2021 and 9 months ended 30th September, 2021;

   - reviewed the accounting principles 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 31st December, 2020 which are set out in the annual report of the Company for the year ended 31st December, 2020;

   - reviewed the audit planning for the year ended 31st December, 2021 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 auditors of the Company and was satisfied with their work, their independence, and their objectivity, and therefore recommended the re-appointment of Deloitte Touche Tohmatsu (which had indicated their willingness to continue in office) as the Group's external auditors for Shareholders' approval in the 2021 annual general meeting;

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.

COMMITTEES OF THE BOARD (continued)

Audit Committee (continued)

Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group. During the year ended 31st December, 2021, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 31st March, 2022, the Audit Committee reviewed the risk management and internal control review report, the Directors' report and audited consolidated financial statements for the year ended 31st December, 2021 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 31st December, 2021:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Fung Siu Kit, Ronny	7/7	1/1	1/1
Mr. Leung Chi Hung	7/7	1/1	1/1
Mr. Tse Yuen Ming	7/7	1/1	1/1

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

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Group's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2021, the Board has held 2 meetings for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2021. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 59.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year ended 31st December, 2021. No incident of non-compliance was noted by the Company during the year ended 31st December, 2021.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2021 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2021 have been audited by Deloitte Touche Tohmatsu.

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

For the year ended 31st December, 2021, the external auditors of the Group provided the following services to the Group:

	2021 **HK$'000**	2020 HK$'000
Audit service	**2,571**	1,680
Non-audit service	–	92
Total:	**2,571**	1,772

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 Company has adopted a whistleblowing policy since 28th March, 2012, which is intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. No case of whistleblowing was noted by the Audit Committee during the year under review.

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

During the year ended 31st December, 2021, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year RM and IC systems assessment plan, and focused on reviewing (i) the operating controls of the trading business and related services segment in Mainland China (revenue and receivable cycle; purchase and payable cycle; and human resources cycle); (ii) the compliance risk management control of the Group; (iii) the financial reporting and disclosure control of the Group; and (iv) follow up on the recommendations in the previous year's report.

During the year ended 31st December, 2021, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. 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 5th 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 31st December, 2021.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

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

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

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

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

4. By email at irelations@daidohk.com.

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

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

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

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

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

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

The Board has established a Shareholders' communication policy on 28th March, 2012 and reviews it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

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

DIVIDEND POLICY

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

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

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

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

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

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

SCOPE AND REPORTING PERIOD

This is the sixth Environmental, Social, and Governance (the "ESG") report by Daido Group Limited (the "Group"), highlighting its sustainability approaches, practices and performance for the period from 1st January, 2021 to 31st December, 2021 (the "reporting year"), with disclosure references made to the ESG Reporting Guide as described in Appendix 27 of the Rules Governing the Listing of Securities on the SEHK.

The Group is principally engaged in cold storage and related business and trading of food and beverage business. The Group operates two cold storage facilities and maintains over a hundred employees and dozens of logistics trucks.

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 and Bonded Warehouse 5/F, Modern Terminals Warehouse Phase II, Berth One, Kwai Chung Container Terminal, Kwai Chung, New Territories from 1st January, 2021 to 31st December, 2021, unless otherwise stated. In this reporting period, the Group extended its business to establishing an e-commerce platform (Urban Mart – content driven shopping platform for daily products) in Hong Kong and created its own herbal tea brand (Attitude Planet) in Mainland China. These businesses just began operations and had no significant impact on the Group's ESG impact during the reporting period.

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 and have been verified by the Board and results of the engagement process which are presented in the "Stakeholder Engagement and Materiality" section in this Report.

Quantitative – key performance indicators ("KPIs") 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.

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

For the past 2 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 take sustainability factors into consideration when doing businesses. 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 to a successful operation.

The Board is, therefore, responsible in 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.

To better understand the demands and expectations of our stakeholders, we invite employees, suppliers, and clients to participate in a survey to maintain effective communication, allowing us to better accommodate their needs. The Group also tries to leverage its expertise in helping local communities to flourish by offering special discounts to a local food charity by storing surplus food in its cold storage facilities, helping to reduce food waste as well as give support to people in need.

Through embedding sustainability in our business concept, we create greater value for both our stakeholders and 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.

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 an overview of our sustainability performance.

Ho Hon Chung, Ivan
Executive Director
Daido Group Limited

MANAGEMENT APPROACH AND GOALS

Sustainability and ESG factors are now more important than ever.

The novel coronavirus (COVID-19) is testing our health, social and economic systems in extreme ways. This crisis is unlike any other disasters we have witnessed in recent years with respect to its pervasiveness and the speed at which it has affected, directly or indirectly, billions of people around the world. Sustainability and ESG programs are key components of long-term value and business resiliency.

The crisis has revealed for many companies the benefits of investing in their social and human capital, enabling them to mobilise talent and resources in new ways and continue to function in uncertain circumstances through a culture of trust, commitment, and innovation. Similarly, research has shown that a loyal and motivated workforce creates enterprise value over the long term through increased productivity, lower voluntary turnover, and improved labour costs.

The pandemic has also revealed the importance of other non-financial factors that impact business outcomes and are important to ESG investors, such as disaster preparedness, continuity planning and employee benefits, including paid sick leave and flexible working arrangements.

The Group 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 of Directors is responsible for ESG strategic direction and ensuring that this strategy reflects the Group's values and core business issues during the reporting period. The Board reviewed the progress against ESG-related goals to guide the group in improving its ESG performance.

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, the compliance mechanisms, material control and risk management operate efficiently.

Following HKEx's rules and guidelines closely
- 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 listened to

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
- Services 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

ESG RISKS AND STRATEGIES

The Company and its subsidiaries (the "Group") is committed to the long-term sustainability of the environment and the community surrounding its operations. It 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 a more efficient use of resources, increased energy conservation, and waste reduction. Apart from the above goals, the Group has also initiated other ESG initiatives to contribute towards a better environment.

The Group is dedicated to promoting sustainable development, which is extremely important to create long-term value for the Group's shareholders, clients, employees, other stakeholders, and the general public. The Group cares about the impact of its daily operation on environment and society, strives to set a good example for the public while conducting business operations. We make 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's principal source of income is derived from operating a cold storage business and related activities. It also provides customers in this segment with a host of ancillary services, from transportation to distribution, container hauling and devanning, packaging and logistics services.

In terms of the social aspect, the Group has also been engaging with its stakeholders to deliver more sustainable outcomes and services that align with their expectations. It recognises social risks, such as safe working conditions, respect for human rights, enforcement of anti-bribery and corruption practices and compliance with all relevant labour laws and regulations. The Group believes that qualified and motivated managers and employees are essential to the long-term success of the company. The business culture of the Group places an emphasis on employee benefits and voluntary services that are tailored to employees' interests and needs. The Group encourages internal communication and peer review for managers and employees to further understand the needs of one another.

CERTIFICATIONS

The Group adhered to the following Management systems during the reporting period:

- ISO9001:2015 Quality Management System

GOVERNANCE STRUCTURE

Sound corporate governance forms the foundation of Daido's operations. The Board has the overall responsibility in overseeing sustainability issues related to Daido's operations and strategy. By setting a strategic direction, the Board sets a clear vision and strategy that guides the ESG reporting measures or systems, reflecting the Group's core values.

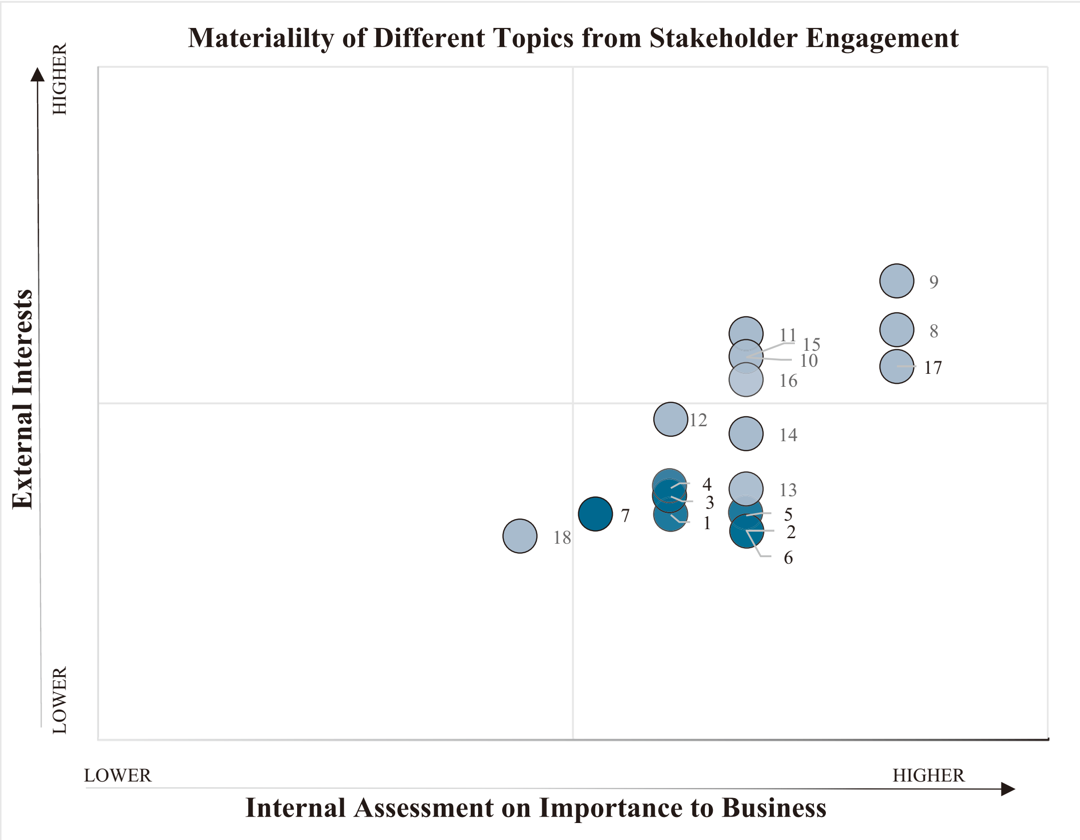
Looking ahead, the Board will review the progress made against ESG-related goals to guide Daido to achieve better ESG performance. Via the Group's Sustainability Risk Management policy, governed by the Group's Risk Management Policy, a set of systematic risk management practices have been put in place to ensure financial and operational functions, compliance control systems, material control, asset management and risk management all operate effectively.

With the Audit Committee's priority in formulating risk management strategies, the Board is responsible for evaluating and determining the Group's ESG risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

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.

Key topics and concerns that were discussed through engagement include energy, water, and material usage and conservation; employment and occupational health and safety; development and training of staff; labour standards; intellectual property and customer privacy; and anti-corruption.



Environmental		Social	
A1	Energy	**B8**	Employment
A2	Water	**B9**	Health and Safety
A3	Emissions	**B10**	Development and Training
A4	Effluents and Waste	**B11**	Labour Standards
A5	Other Raw Materials Consumption	**B12**	Supply Chain Management
A6	Environmental Protection Policies	**B13**	Intellectual Property Rights
A7	Climate Change	**B14**	Consumer Data Protection
		B15	Customer Service
		B16	Product/Service Quality
		B17	Anti-corruption
		B18	Community Investment

The matrix indicates that external stakeholders, such as the Group's employees, customers, and suppliers, had similar level of concern for most topics. Some topics had been determined to be significantly more important than others from the Group's point of view. The six most material topics that the business shall focus on are as follows,

- Occupational Health and Safety
- Employment
- Anti-Corruption
- Labour Standards
- Customer Service
- Development and Training

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 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 and enforces effective measures that enable successful energy conservation, waste reduction, and the most efficient use of resources.

The Group has reduced fugitive emissions from refrigerant being consumed by the warehouse throughout the reporting period. In addition, the Group has reduced electricity consumption through participation in CLP's fully automated repurchase program and the usage of smart electricity meters throughout the premises. To reduce water consumption, the Group has installed an environmentally friendly air cooling system to replace the existing water cooling system.

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 the vehicle Gasoline & Diesel

	2021	2020	2019
SO_x (kg)	**3.70**	3.35	3.52
NO_x (kg)	**2,092.75**	2,959.10	3,047.89
PM (kg)	**150.5**	241.32	248.54

Note: Emission factors for calculations on environmental parameters were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing 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. No business air travel was conducted due to the travel restrictions from the COVID-19 pandemic.

During the reporting period, 3,569.92 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 0.09 tCO_2eq/m^2, or 28.56 tCO_2eq/employee. See Table 1 for the contribution of GHG emissions across scopes and activities.

Table 1 Sources of Greenhouse Gas Emissions during the reporting period

Scope of GHG emissions	Emission sources	GHG Emission (in tCO_2eq)	Sub-total (in tCO_2eq)	Total GHG emission (in %)
Scope 1 Direct emissions	Combustion of fuel (gasoline and diesel) in mobile sources	609.09	609.09	17%
Scope 2 Energy indirect emissions	Purchased electricity	2,940.70	2,940.70	82%
Scope 3	Paper waste disposed at landfills	20.13	20.13	1%
Total		3,569.92	3,569.92	100%

Note: Emission factors for calculations on environmental parameters were made with reference to Appendix 27 of the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

The cold storage warehouse was subdivided to optimise control over room temperature to increase energy efficiency.

A1.3 Hazardous Waste

Table 2 Hazardous Waste Generation during the reporting period

Hazardous Waste Type	Annual disposal amount	Treatment of Waste
Fluorescent lamps	78.87 kg	Sent to qualified recycling plant
IT equipment:		Recycled by third party
– Personal Computer	63 PCs	
– Notebook	1 PCs	
– Computer Monitor	17 PCs	
– Printer	25 PCs	
– Computer accessories	12 PCs	

A1.4 Non-hazardous Waste

The Group aligns Corporate Responsibility with our business goals and starts to conduct its first waste audit in 2021. 23 days waste sample has been weighted and detail recorded. The Group estimates that a total of 29.8 tonnes of non-hazardous waste has been generated from the warehouse during the reporting period. In addition to the packaging waste, the Group also recorded 4.345 tonnes of paper consumed which around 150 kg has be recycled during the reporting period. The total non-hazardous waste generated by the Group was 33.995 tonnes, of which the intensity was 0.84 kg/m^2, or 271.96 kg/employee. Waste was mainly generated from packaging materials in our warehouse from suppliers and other factories.

Table 3 Non-hazardous Waste Generation during the reporting period

Non-hazardous Waste Type	Annual disposal amount (t)	Treatment of Waste
Waste from warehouse	29.800	Handled by third party disposal service company
Paper waste	4.345	Handled by third party disposal service company
Paper recycled	(0.150)	Recycled
Total non-hazardous waste disposed	33.995	

A1.5 Measures to Mitigate Air and Greenhouse Gas Emissions

Indirect greenhouse gas 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 control the impact of our daily operations on environment.

The Group has implemented the following energy-saving and energy efficiency measures to reduce greenhouse gas emissions:

- Install high-performance vehicles or machinery wherever possible
- Use LED lighting in our workplace and office if possible
- Participated in the Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles
- Utilising aluminium-free gasoline as fuel for private car use
- Switch off idling vehicles according to the rules and regulations
- Employees are encouraged to 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
- Regularly clean the air-conditioners' filter to maximise the effectiveness of the cooling system
- Use online/telephone conferences and reduce local and overseas travelling as much as is practical

The Group has targeted a reduction in air and greenhouse gas emissions of 5%–8% within 10 years, compare with 2021 levels, by utilising the above mentioned energy saving measures.

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. Including the following initiatives:

We 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 the traditional ways (e.g. fax, mail) if possible
- Promote a "think before you copy" attitude. Consider sharing some documents with co-workers. Print only the number of copies needed for the meeting
- Arrange with the supplier to collect toner cartridges for recycling
- Adopt double-sided printing wherever possible

The Group has targeted a reduction in waste generation of 5%–8% with 10 years, compare with 2021 levels, by collecting 100% of used paper and sending it to reputable recyclers and have encouraged our colleagues to reduce their food wastage by consuming responsibly.

A2. Use of Resources

A2.1 Energy Consumption

During the reporting period, direct electricity consumption by the Group was 7,947.83 Kilowatt-hour (kWh). The total consumption of petrol and diesel was 230,826 litres, which equals 2,454.25 kWh after conversion. The total amount of energy consumed was therefore an equivalent of 10,402.08 kWh (electricity, diesel and petrol combined), with an intensity of 0.26 kWh/m^2, and 83.22 kWh/employee.

		Energy Consumption (MWh)		
		2021	2020	2019
Direct energy	Gasoline & Diesel	**2,454.25**	2,219.31	2,446.34
Indirect energy	Electricity	**7,947.83**	6,139.41	8,221.10
Total energy consumption		**10,402.08**	8,358.72	10,667.44
Energy intensity		**0.26**	0.20	0.21

A2.2 Water Consumption

The total water consumption for the Group was 13,759 m^3, with an intensity of 0.34 m^3/m^2 and 110.07 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:

- using energy-efficient appliances
- ensuring that the central air conditioning in the office is kept at a temperature of between 24°C and 26°C
- arranging regular air-conditioning repair and maintenance to ensure maximum efficiency
- turning off lighting when natural lighting is available or during low occupancy periods
- setting up computers to go into standby or sleeping mode when idle a certain amount of time
- turning off unnecessary technology (including monitors and CPUs) after office hours.

During 2021, solar power renewable energy system ("Solar Panel System") has been installed at the warehouse to help reduce a reliance on electricity from the grid. By harnessing the savings from solar power and also optimising energy use within the warehouse, the Group looks forward the reduction in electricity consumption to be achieved in the near future.

The Group has set a target of 5%–8% reduction in energy consumption over the next 10 years, compare with 2021 levels.

A2.4 Water Use Efficiency Initiatives

To reduce water consumption, the Group has established a water re-use 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 premises.

A2.5 Packaging Material

A total amount of 6,640 kg of packaging materials was purchased during the reporting period.

Table 4 Packaging Materials Purchased during the reporting period

Type of Packaging Material	Application of Packaging Material	Annual Consumption (kg)
Shrink – wrap	product wrapping	6,640

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 the Group 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 and is actively exploring environmentally friendly alternatives. The Group strictly abides by the relevant environmental laws and regulations in its daily operations.

A4. Climate Change

A warming planet creates a wide range of risks for business, 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. Climate change will undoubtably be of increasing concern to the Group and industry as a whole for the foreseeable future. The Group has identified the following risks that climate change pose.

Physical Risks

Extreme weather events, such as typhoons, storm surges and rainstorms, will disrupt transportation, distribution, storage costs and ultimately revenue. During extreme weather events, employees are advised to remain in a safe place until it is safe to resume normal activities.

Opportunities

Due to supply chain interruptions caused through climate change, such as transportation disruption and food shortages, the opportunity to leverage the Group's cold storage facilities are greatly increased.

Stockpiling of 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 perhaps "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.

Transition Risks

Transition risk refers to the financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate policy, technological changes or a change in market sentiment. Revenues may be affected by changing consumer behaviour and regulatory changes. Additionally, costs and the availability of raw materials may have a negative impact on revenue streams in the future.

B. SOCIAL

1. Employment and labour practices

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

Employment System and Labour Standards

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

Compensation and 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 Resource 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 labor laws, industrial accidents or breach of work safety regulation

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

- If an employee is injured on duty, if a compensation agreement has not yet been reached or 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 are 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 endeavours to promote diversity and equal opportunities and has zero tolerance for harassment in the workplace. Employees should be treated equally regardless of age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation and sexual orientation. Those who encounter or witness any conducts of sexual harassment can report directly to the Executive Directors who are responsible for any investigation.

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

Prevention of Forced Labour

The Group has established an overtime work management system in order to manage the number of working hours for each employee.

Prevention of Child Labour

During the recruitment process, the Human Resource Department conducts a comprehensive inspection of the job’s applicant identity and age through government-issued documents.

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.

B1. Employment

B1.1 Employment Figures

As of 31st December, 2021, the cold storage business had a total number of 125 employees. See Figures 1-5 for the detailed composition of its workforce.

Figure 1 Total Workforce by Employee Type

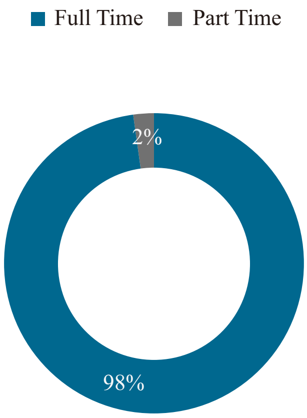


Figure 2 Total Workforce by Job Grade

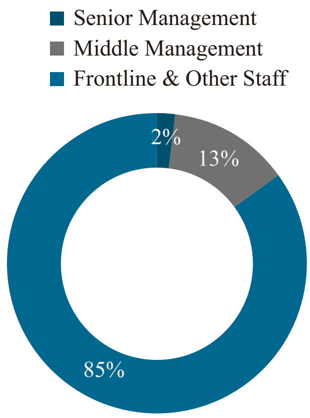


Figure 3 Total Workforce by Age

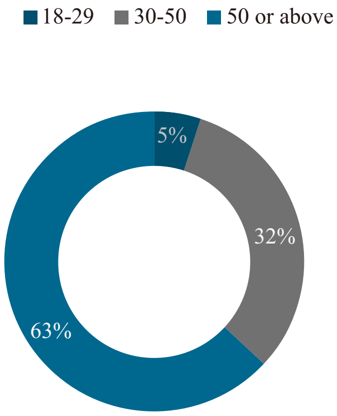


Figure 4 Total Workforce by Gender

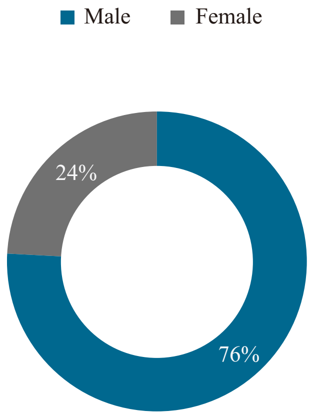
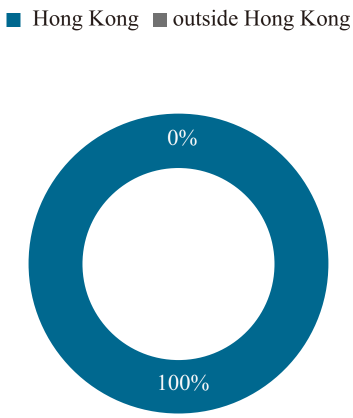


Figure 5 Total Workforce by Geographic Region



B1.2 Turnover Rate

A total of 42 employees left the Group during the reporting period, representing a turnover rate of 33.6% for the Group. See the following table:

Turnover rate by employee category	
Senior management	0%
Middle management	2%
Frontline and other staff	98%

Turnover rate by age group	
18-29	2%
30-50	41%
50 or above	57%

Turnover rate by gender	
Male	81%
Female	19%

Turnover rate by region	
Hong Kong	100%

B1.3 Employee Policies

The Employee's 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 and compensation leave, 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.

During the reporting period, a small number of redundancies were effected from June 2021 onwards and compensation was made for them in accordance with the Hong Kong Employment Ordinance.

B2. Employee Health and Safety

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

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

Considering the COVID-19 pandemic, the Group has taken new measures to enhance employee safety. The Group has enhanced hygiene awareness and levels and has provided guidance to employees regarding leave arrangements in coronavirus related incidents. The Group has actively increased the frequency of deep cleaning throughout its warehouses and the surrounding environs. The Group has also purchased and distributed advanced technology disinfectants allowing employees to disinfect themselves prior to going to work to reduce the risk of transmission.

Table 5 Work Related Fatalities and Lost Days

	2021	2020	2019
Work related fatalities	**0**	0	0
Lost Days	**135**	402	not applicable

During the reporting period, there were no work-related fatalities or injury cases. 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.

Table 6 Development and Training

Proportion Trained				Average Training Hours Completed per employee			
Gender	%	Employee Category	%	Gender	Hours	Employee Category	Hours
Male	100	Senior	0	Male	9.55	Senior	0
Female	0	Middle	9	Female	0	Middle	7
		Frontline & Other Staff	91			Frontline & Other Staff	9.8

B4. Labour Standards

The Group strictly follows the Employment Ordinance of the Hong Kong government. 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 against 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.

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. Underperformers will be removed from the list to ensure all suppliers achieve the Group's minimum standard.

Number of suppliers by geographical region/country

Region	Number of supplier(s)	Type of supplies
China	4	Compressor components/parts, cartons, fittings
Hong Kong	118	Equipment supplier, raw material
Taiwan	1	Refrigeration oil

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, labeling 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 demonstrates Daido's commitment to high quality services.

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

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. Any unauthorised use of intellectual property rights may give rise to legal liability. No major incidents relating to infringement of intellectual property rights occurred during the reporting period.

B7. Anti-corruption

As a responsible cold storage and logistics service provider, the Group is committed to upholding integrity and promoting fairness in the society. Hence, any forms of bribery, extortion, fraud and money-laundering are strictly prohibited. Guided by the ESG Policies and the Staff Handbook, the Group has put in place an array of internal processes throughout our operations to prohibit corruption.

The Group prohibits all employees from offering and soliciting all forms of benefits from any third parties. Whenever employees receive gifts that are of high commercial value provided by business partners or clients, they should report to senior management or the Human Resource Department. In any circumstance, employees should avoid conflicts of interest between personal interests and job duties. In the event of 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 on any misconduct or malpractice within the Group. Employees shall report any suspected violation to Executive Directors or the Chair of the Audit Committee in a confidential manner. The identity of whistle-blowers will be kept confidential to protect them from harassment and reprisals. During the reporting year, there was no legal cases regarding corrupt practices brought against the Group or its employees. No anti-corruption training classes was undertaken during the reporting period due to coronavirus outbreak, but the Group encouraged employees to review the ICAC website for regular updates.

B8. Community Investment

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

The Group understands its responsibility in supporting local communities where it operates. Guided by the Group's ESG Policies, the Group participated in different community activities, such as a charity mooncake sale held by the Community Chest and a charity sale, "Pass-it-On Campaign 2021" held by the Hong Kong Red Cross, where it spent approximately HK$65,000.

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

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 145, which comprise the consolidated statement of financial position as at 31st December, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage and related services business	
We identified the impairment assessment of property, plant and equipments, and right-of-use assets related to 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. As disclosed in notes 4 and 16 to the consolidated financial statements, the management considers impairment assessments based on a cold storage warehouse which is considered as a separate identifiable cash-generating unit ("CGU"). The carrying amounts before impairment allowances of the Group's property, plant and equipment, and right-of-use assets related to the cold storage and related services business that are subject to impairment assessment as at 31st December, 2021 amounted to approximately HK$1,793,000 and HK$136,115,000, respectively. The management of the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections of the CGU 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. Based on the management's assessment, no impairment in respect of property, plant and equipment, and right-of-use assets related to cold storage and related services business has been recognised in profit or loss during the year ended 31st December, 2021.	Our procedures in relation to the impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage and related services business include: • Obtaining an understanding of management's process of reviewing and evaluating impairment assessment of property, plant and equipment, and right-of-use assets related to cold storage and related services business; • Assessing the competence, capabilities and objectivity of the valuer, and checking the qualifications of the valuer; • Discussing the scope of work of the valuer with the management of the Group and reviewing the terms of engagement to determine that there were no matters that imposed scope limitations upon the valuer; • Obtaining an understanding from the valuer about the methodologies used and the key inputs, such as occupancy rates, growth in charge rates and the discount 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 to evaluate the appropriateness of using these inputs in the valuation models; • Engaging our valuation specialist to evaluate the appropriateness of the discount rate used; and • Checking arithmetic accuracy of the cash flow projection calculation and impairment loss calculation.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ka-Lai Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
31st March, 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	NOTES	2021 HK$'000	2020 HK$'000 (Restated)
Revenue	5		
– Provision of cold storage and related services		**187,109**	172,844
– Trading of food and beverage		**47,671**	81,492
– Interest income from money lending services		**288**	300
Total revenue		**235,068**	254,636
Cost of revenue		**(198,488)**	(227,211)
Gross profit		**36,580**	27,425
Other income	6	**8,546**	19,621
Other gains and losses	7	**479**	2,805
Impairment losses (recognised) reversed under expected credit loss model		**(1,834)**	526
Selling and distribution expenses		**(15,738)**	(13,804)
Loss on disposal of an associate	17	**(15,032)**	–
Loss on termination of management service agreement	17	**(27,242)**	–
Administrative expenses		**(46,938)**	(41,859)
Share of loss of an associate		**(2,885)**	(16,017)
Finance costs	8	**(16,002)**	(19,251)
Loss before tax		**(80,066)**	(40,554)
Taxation	9	**(204)**	(30)
Loss for the year	10	**(80,270)**	(40,584)
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**527**	2,027
Reclassification of cumulative translation reserve upon disposal of a foreign operation		**–**	1,228
Other comprehensive income for the year		**527**	3,255
Total comprehensive expense for the year		**(79,743)**	(37,329)
Loss for the year attributable to:			
Owners of the Company		**(80,270)**	(40,584)
Non-controlling interests		**–**	–
		(80,270)	(40,584)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(79,743)**	(37,329)
Non-controlling interests		**–**	–
		(79,743)	(37,329)
Loss per share – basic and diluted	13	**(HK27.7 cents)**	(HK16.2 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current Assets			
Property, plant and equipment	14	**4,889**	6,808
Intangible asset		**246**	–
Right-of-use assets	15	**137,180**	195,873
Goodwill		**68**	68
Interest in an associate	17	–	30,058
Financial assets at fair value through profit and loss ("FVTPL")	18	–	459
Equity instrument at fair value through other comprehensive income ("FVTOCI")	19	–	–
Rental deposits paid	21	**47,384**	16,613
Pledged bank deposits	33	**1,700**	67,785
		191,467	317,664
Current Assets			
Inventories		**2,241**	850
Trade and other receivables, deposits and prepayments	21	**71,065**	47,897
Amounts due from an associate	17	–	20,679
Loan receivables	20	–	1,664
Bank balances and cash	22	**59,919**	69,781
		133,225	140,871
Current Liabilities			
Trade and other payables	23	**22,213**	19,932
Contract liabilities	24	**8,744**	4,865
Bank borrowing	25	–	35,000
Lease liabilities	26	**65,943**	68,022
Tax payable		–	32
Bonds	30	**10,000**	40,000
Derivative financial instruments	29	–	1,800
		106,900	169,651
Net Current Assets (Liabilities)		**26,325**	(28,780)
Total Assets Less Current Liabilities		**217,792**	288,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2021

	NOTES	2021 HK$'000	2020 HK$'000
Capital and Reserves			
Share capital	28	**29,011**	29,011
Share premium and reserves		**(18,379)**	58,741
Equity attributable to owners of the Company		**10,632**	87,752
Non-controlling interests		**3,163**	3,163
		13,795	90,915
Non-current Liabilities			
Bank borrowing	25	**35,000**	–
Lease liabilities	26	**78,997**	137,969
Bonds	30	**90,000**	60,000
		203,997	197,969
		217,792	288,884

The consolidated financial statements on pages 63 to 145 were approved and authorised for issue by the board of directors on 31st March, 2022 and are signed on its behalf by:

FUNG PAK KEI
Director

HO HON CHUNG, IVAN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (Note)	FVTOCI reserve HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2020	24,323	374,226	39,984	(102,078)	–	(1,914)	(220,982)	113,559	3,163	116,722
Loss for the year	–	–	–	–	–	–	(40,584)	(40,584)	–	(40,584)
Other comprehensive income for the year	–	–	–	–	–	3,255	–	3,255	–	3,255
Total comprehensive income (expense) for the year	–	–	–	–	–	3,255	(40,584)	(37,329)	–	(37,329)
Subscription of new shares (note 28)	4,688	6,938	–	–	–	–	–	11,626	–	11,626
Transaction costs attributable to subscription of shares	–	(104)	–	–	–	–	–	(104)	–	(104)
At 31st December, 2020	29,011	381,060	39,984	(102,078)	–	1,341	(261,566)	87,752	3,163	90,915
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(80,270)**	**(80,270)**	**–**	**(80,270)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**527**	**–**	**527**	**–**	**527**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**527**	**(80,270)**	**(79,743)**	**–**	**(79,743)**
Recognition of equity-settled share-based payments (note 31)	**–**	**–**	**–**	**–**	**2,623**	**–**	**–**	**2,623**	**–**	**2,623**
At 31st December, 2021	**29,011**	**381,060**	**39,984**	**(102,078)**	**2,623**	**1,868**	**(341,836)**	**10,632**	**3,163**	**13,795**

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company was consolidated into one consolidated share of HK$0.05 (the "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 18th December, 2009.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	NOTES	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(80,066)**	(40,554)
Adjustments for:			
Amortisation of intangible asset		**38**	–
Change in fair value of derivative financial instruments		**(1,800)**	(4,925)
Change in fair value of financial assets at FVTPL		**(44)**	227
Depreciation of property, plant and equipment		**2,641**	3,475
Depreciation of right-of-use assets		**70,213**	68,713
Finance costs		**16,002**	19,251
Impairment loss recognised (reversed) under expected credit loss model		**1,834**	(526)
Impairment losses recognised on property, plant and equipment and right-of-use assets		**857**	3,138
(Reversal of) provision for an onerous contract		**(1,622)**	1,622
Interest income		**(3,554)**	(4,822)
Loss on early termination of leases		**–**	185
Loss on disposal/written off of property, plant and equipment		**1,422**	575
Loss on disposal of a subsidiary	34	**–**	1,453
Loss on disposal of an associate	17	**15,032**	–
Loss on termination of management service agreement	17	**27,242**	–
Equity-settled share-based payments		**2,623**	–
Share of loss of an associate		**2,885**	16,017
Operating cash flows before movements in working capital		**53,703**	63,829
(Increase) decrease in inventories		**(1,391)**	1,865
(Increase) decrease in trade and other receivables, deposits and prepayments		**(17,674)**	6,741
Decrease in loan receivables		**–**	100
Increase in amounts due from an associate		**(6,563)**	(12,602)
Increase (decrease) in trade and other payables		**3,903**	(4,194)
Increase (decrease) in contract liabilities		**3,879**	(29)
Cash generated from operations		**35,857**	55,710
Interest received from money lending business		**264**	300
Income tax paid		**(236)**	–
NET CASH FROM OPERATING ACTIVITIES		**35,885**	56,010
INVESTING ACTIVITIES			
Interest received		**846**	1,084
Purchase of property, plant and equipment		**(2,700)**	(3,622)
Purchase of intangible asset		**(284)**	–
Proceeds from disposal of property, plant and equipment		**287**	–
Payments for rental deposits of right-of-use assets		**(36,162)**	(555)
Net cash outflow from disposal of a subsidiary	34	**–**	(167)
Proceeds from disposal of an associate		**10,806**	–
Proceeds from disposal of financial assets at FVTPL		**503**	–
Placement of pledged bank deposits		**(26)**	(2,217)
Withdrawal from pledged bank deposits		**66,111**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**39,381**	(5,477)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

	2021 HK$'000	2020 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(16,002)**	(19,251)
Repayments of lease liabilities	**(69,664)**	(63,034)
Repayment of bank borrowing	–	(30,000)
Proceeds from the subscription of shares	–	11,626
Transactions cost attributable to subscription of shares	–	(104)
NET CASH USED IN FINANCING ACTIVITIES	**(85,666)**	(100,763)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(10,400)**	(50,230)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**69,781**	117,966
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**538**	2,045
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**59,919**	69,781

1. GENERAL INFORMATION

Daido Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of cold storage and related services, trading of food and beverage and provision of money lending services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the International Financial Reporting Standards ("IFRS") Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30th June, 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

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

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

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

New and amendments to HKFRSs in issue but not yet effective (continued)

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

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

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

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

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

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

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

Based on the Group's outstanding liabilities as at 31st December, 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* (continued)

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 *Definition of Accounting Estimates*

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

3.1 Basis of preparation of consolidated financial statements (continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

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

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

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

3.2 Significant accounting policies (continued)

Investment in an associate (continued)

The results and assets and liabilities of the associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9 *Financial Instruments*, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

For the provision of cold storage and related 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.

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

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

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

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

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Variable consideration

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

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

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

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

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivables, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payments transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

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

3.2 Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payments transactions (continued)

Share options granted to employees (continued)

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. 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 option reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary differences arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

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 a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group incur to make the sale.

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

3.2 Significant accounting policies (continued)

Provisions

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customer*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, rental deposits paid, amounts due from an associate, loan receivables, loan to an associate, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade-related amounts due from an associate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, loan to and amounts due from an associate, and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

Financial liabilities and equity

Classification of debt and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

Bonds contain liability component and early redemption option derivative

At the date of issue, early redemption option that is closely related to the liability component is not separately accounted for and recognised at fair value at initial recognition. In subsequent periods, bonds are carried at amortised cost using the effective interest method. Transaction costs are included in the carrying amount of the bonds and amortised over the period of the bonds using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, bank borrowing and bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of property, plant and equipment, and right-of-use assets related to cold storage and related services business

Property, plant and equipment, and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether these assets are impaired, the Group has to exercise judgment and make estimation, particularly in assessing (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of a property, plant and equipment, and right-of-use asset individually, the Group estimates the recoverable amounts of the CGUs to which the assets belong.

The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections of one CGU (2020: three 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of property, plant and equipment, and right-of-use assets related to cold storage and related services business (continued)

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

As at 31st December, 2021, the carrying amounts before impairment allowances of the property, plant and equipment, and right-of-use assets related to one CGU (2020: three CGUs) related to cold storage and related services business subject to impairment assessment are approximately HK$1,793,000 and HK$136,115,000 (2020: HK$7,137,000 and HK$193,068,000), respectively. No (2020: HK$3,138,000) impairment loss in respect of the property, plant and equipment related to cold storage and related services business has been recognised and no (2020: no) impairment in respect of right-of-use assets related to cold storage and related services business has been recognised in profit or loss during the year ended 31st December, 2021.

Provision of ECL for trade receivables

Trade receivables are assessed for ECL under lifetime ECL model. The management of the Group estimates the amount of ECL for trade receivables with significant balances individually whereas the remaining balance of trade receivables are assessed collectively by grouping various trade receivables that have similar risk exposure after considering internal credit ratings, ageing, repayment history and/or past due status and forward-looking macroeconomic information of respective trade receivables to calculate ECL. The measurement of ECL is based on the Group's historical default rates taking into consideration the historical data and forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade receivables is disclosed in note 36.

Provision of ECL for loan receivables

Loan receivables are assessed for ECL individually. Loan receivables that are considered, with reference to internal credit rating, as low risk are assessed under 12m ECL, while loan receivables that are considered as doubtful or loss are assessed under lifetime ECL. The management of Group estimates the amount of ECL based on the Group's historical default record on these loans by taking into consideration the Group's internal credit ratings of these loans, ageing, repayment history and/or past due status of respective loans. Estimated loss rates are based on historical observed default rates over the expected life of the loans, forward-looking information and collateral value that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's loan receivables are disclosed in note 36.

5. REVENUE AND SEGMENT INFORMATION

Revenue

Disaggregation of revenue from contracts with customers

	For the year ended 31st December, 2021			For the year ended 31st December, 2020		
	Cold storage and related services segment HK$'000	Trading of food and beverage segment HK$'000	Total HK$'000	Cold storage and related services segment HK$'000	Trading of food and beverage segment HK$'000	Total HK$'000
Types of goods or services						
Revenue from provision of cold storage and related services						
Cold storage	141,973	–	141,973	124,923	–	124,923
Loading and handling services	5,828	–	5,828	5,285	–	5,285
Logistic and packing services	30,454	–	30,454	30,861	–	30,861
Management income	8,854	–	8,854	11,775	–	11,775
	187,109	–	187,109	172,844	–	172,844
Revenue from trading of food and beverage	–	47,671	47,671	–	81,492	81,492
Total	187,109	47,671	234,780	172,844	81,492	254,336
Geographical markets						
The People's Republic of China ("PRC")	–	47,482	47,482	–	81,492	81,492
Hong Kong	187,109	189	187,298	172,844	–	172,844
Total	187,109	47,671	234,780	172,844	81,492	254,336
Timing of revenue recognition						
A point in time	–	47,671	47,671	–	81,492	81,492
Over time	187,109	–	187,109	172,844	–	172,844
Total	187,109	47,671	234,780	172,844	81,492	254,336

5. REVENUE AND SEGMENT INFORMATION (continued)

Revenue (continued)

Performance obligations for contracts with customers

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

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

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

For management income services with a contract term of three years period, transaction price allocated to performance obligations which have been satisfied but not yet recognised is not disclosed due to variable consideration constraint. In June 2021, the Group terminated the management service agreement with the associate with effect from 1st October, 2021 (see note 17 for details).

Trading of food and beverage

The Group sells food and beverage directly to customers. Revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). 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.

Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

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

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

2. Trading of food and beverage in the PRC and Hong Kong ("Trading of food and beverage")

3. Money lending services in Hong Kong ("Money lending services")

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segments revenues and results

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

2021

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	**187,109**	**47,671**	**288**	**235,068**
Segment loss	**(44,368)**	**(11,620)**	**(1,439)**	**(57,427)**
Unallocated income				**189**
Unallocated expenses				**(16,849)**
Change in fair value of financial assets at FVTPL				**44**
Finance costs				**(6,023)**
Loss before tax				**(80,066)**

2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of certain other income, central administration costs (including certain auditor's remuneration, certain depreciation of right-of-use assets and property, plant and equipment and directors' remuneration), change in fair value of financial assets at FVTPL and certain finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Segment assets and liabilities

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

	2021 HK$'000	2020 HK$'000
Assets		
Cold storage and related services	**259,500**	310,721
Trading of food and beverage	**31,548**	40,129
Money lending services	**166**	2,247
Total segment assets	**291,214**	353,097
Unallocated assets	**33,478**	105,438
Consolidated assets	**324,692**	458,535
Liabilities		
Cold storage and related services	**197,217**	255,866
Trading of food and beverage	**7,961**	6,292
Money lending services	**41**	41
Total segment liabilities	**205,219**	262,199
Unallocated liabilities	**105,678**	105,421
Consolidated liabilities	**310,897**	367,620

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than financial assets at FVTPL, equity instrument at FVTOCI, certain pledged bank deposits, certain bank balances and cash, certain property, plant and equipment, certain right-of-use assets and certain other receivables and prepayments; and

- all liabilities are allocated to operating segments other than certain lease liabilities, bonds and certain other payables.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information

2021

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	2,329	356	–	2,685	15	2,700
Additions to right-of-use assets	11,150	17	–	11,167	917	12,084
Change in fair value of derivative financial instruments	(1,800)	–	–	(1,800)	–	(1,800)
Depreciation of property, plant and equipment	1,758	399	–	2,157	484	2,641
Depreciation of right-of-use assets	68,310	998	–	69,308	905	70,213
Loss on disposal/written-off of property, plant and equipment	1,420	2	–	1,422	–	1,422
Impairment losses recognised on property, plant and equipment and right-of-use assets	–	857	–	857	–	857
Impairment losses recognised under expected credit loss model						
– loan receivables	–	–	1,688	1,688	–	1,688
– trade receivables	105	41	–	146	–	146
Imputed interest income on loan to an associate	(2,199)	–	–	(2,199)	–	(2,199)
Interest income from bank deposits	(4)	(63)	–	(67)	(90)	(157)
Finance costs	9,919	60	–	9,979	6,023	16,002
Interest in an associate	–	–	–	–	–	–
Share of loss of an associate	2,885	–	–	2,885	–	2,885
Loss on disposal of an associate	15,032	–	–	15,032	–	15,032
Loss on termination of management service agreement	27,242	–	–	27,242	–	27,242

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

Other segment information (continued)

2020

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to property, plant and equipment	1,596	1,699	–	3,295	327	3,622
Additions to right-of-use assets	742	145	–	887	–	887
Change in fair value of derivative financial instruments	(4,925)	–	–	(4,925)	–	(4,925)
Depreciation of property, plant and equipment	2,910	90	–	3,000	475	3,475
Depreciation of right-of-use assets	66,630	1,042	–	67,672	1,041	68,713
Loss on disposal/written-off of property, plant and equipment	575	–	–	575	–	575
Impairment losses on property, plant and equipment	3,138	–	–	3,138	–	3,138
Impairment losses recognised (reversed) under expected credit loss model						
– loan receivables	–	–	211	211	–	211
– trade receivables	–	(737)	–	(737)	–	(737)
Imputed interest income on loan to an associate	(2,748)	–	–	(2,748)	–	(2,748)
Interest income from bank deposits	(13)	(28)	–	(41)	(976)	(1,017)
Finance costs	13,101	99	–	13,200	6,051	19,251
Interest in an associate	30,058	–	–	30,058	–	30,058
Share of loss of an associate	16,017	–	–	16,017	–	16,017
Loss on disposal of a subsidiary	–	–	–	–	1,453	1,453

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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 equity instrument at FVTOCI, pledged bank deposits and rental deposits paid (2020: interest in an associate, financial assets at FVTPL, equity instrument at FVTOCI, pledged bank deposits and rental deposits paid)) are set out below:

	Revenue from external customers		Non-current assets	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Hong Kong	**187,586**	173,144	**142,332**	201,050
The PRC	**47,482**	81,492	**51**	1,699
	235,068	254,636	**142,383**	202,749

Revenue from major products and services

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

	2021 HK$'000	2020 HK$'000
Provision of cold storage and related services	**187,109**	172,844
Trading of food and beverage	**47,671**	81,492
Interest income from money lending services	**288**	300
	235,068	254,636

Information about major customers

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

	2021 HK$'000	2020 HK$'000
Customer A[1]	**34,633**	29,298
Customer B[2]	**27,544**	39,516

1 Revenue from provision of cold storage and related services in Hong Kong
2 Revenue from trading of food and beverage in the PRC

6. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Government subsidy (Note)	**80**	10,841
Imputed interest income on loan to an associate	**2,199**	2,748
Imputed interest income on rental deposits paid	**910**	757
Interest income from bank deposits	**157**	1,017
Income from usage of machinery and equipment	**1,823**	1,480
Other service income	**3,091**	2,613
Dividend income	**19**	–
Sundry income	**267**	165
	8,546	19,621

Note: During the year ended 31st December, 2021, the Group recognised government grants of HK$80,000 related to motivation of business development in respect of trading of food and beverage business in PRC and Hong Kong. During the year ended 31st December, 2020, the Group recognised government grants of HK$10,841,000 in respect of Covid-19-related subsidies, of which (i) HK$10,721,000 relates to Employment Support Scheme from the Government of Hong Kong Special Administrative Region ("Hong Kong Government") for subsidising the salary costs incurred for the periods from June to August 2020 and September to November 2020; and (ii) an one-off subsidy of HK$120,000 from the Transport Department of the Hong Kong Government for subsidising goods vehicles.

7. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000 (Restated)
Change in fair value of derivative financial instruments	**1,800**	4,925
Change in fair value of financial assets at FVTPL	**44**	(227)
Loss on disposal/written off of property, plant and equipment	**(1,422)**	(575)
Loss on disposal of a subsidiary	**–**	(1,453)
Loss on early termination of leases	**–**	(185)
Net foreign exchange gain	**57**	320
	479	2,805

8. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expense on bank borrowing	**1,726**	2,158
Interest expense on bonds	**6,000**	6,000
Interest expense on lease liabilities	**8,276**	11,093
	16,002	19,251

9. TAXATION

	2021 HK$'000	2020 HK$'000
PRC Enterprise Income Tax:		
Current	**–**	30
Under provision in prior year	**204**	–
	204	30

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

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

No provision for Hong Kong Profits tax has been made as the individual companies comprising the Group either incurred a loss or had tax losses to offset the assessable profit for both years.

Taxation for the year can be reconciled from the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK$'000	2020 HK$'000
Loss before tax	**(80,066)**	(40,554)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	**(13,211)**	(6,691)
Tax effect of share of result of an associate	**476**	2,643
Tax effect of expenses not deductible for tax purpose	**7,719**	496
Tax effect of income not taxable for tax purpose	**(970)**	(3,359)
Tax effect on other deductible temporary differences not recognised	**303**	469
Tax effect of tax losses not recognised	**6,382**	8,210
Utilisation of tax losses previously not recognised	**(164)**	(892)
Under provision in respect of prior year	**204**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(535)**	(846)
Taxation for the year	**204**	30

Details of deferred taxation are set out in note 27.

10. LOSS FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	**2,571**	1,680
– non-audit service	**–**	92
Cost of inventories recognised as expenses	**29,437**	54,306
Depreciation for property, plant and equipment (Note)	**2,641**	3,475
Depreciation for right-of-use assets (Note)	**70,213**	68,713
Impairment losses on property, plant and equipment and right-of-use assets included in:		
– cost of revenue*	**–**	3,138
– administrative expenses	**857**	–
Impairment loss recognised (reversed) under expected credit loss model		
– loan receivables	**1,688**	211
– trade receivables	**146**	(737)
	1,834	(526)
Staff costs, including directors' remuneration (note 11)		
– salaries and other benefits costs	**71,781**	74,565
– contributions to retirement benefits schemes	**4,164**	3,918
– equity-settled share-based payments	**2,623**	–

* Impairment losses on property, plant and equipment recognised in the profit or loss of HK$3,138,000 for the year ended 31st December, 2020 has been reclassified from other gains and losses to cost of revenue to conform with current year's presentation.

Note: Depreciation for property, plant and equipment and right-of-use assets of approximately HK$1,451,000 (2020: HK$2,555,000) and HK$68,323,000 (2020: HK$66,629,000) are included in cost of revenue during the year ended 31st December, 2021.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the directors were as follows:

	Executive directors (Note a)		Non-executive directors (Note b)		Independent non-executive directors (Note c)			
	Fung Pak Kei HK$'000	Ho Hon Chung, Ivan HK$'000	Fung Wa Ko HK$'000	Au Tat Wai HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total HK$'000
2021								
Fees	132	132	180	72	180	180	180	1,056
Other emoluments								
Salaries and other benefits costs	1,794	1,322	–	–	–	–	–	3,116
Contributions to retirement benefits schemes	25	–	–	–	–	–	–	25
Equity-settled share-based payments	704	704	–	–	–	–	–	1,408
Total emoluments	2,655	2,158	180	72	180	180	180	5,605

	Executive directors (Note a)		Non-executive directors (Note b)		Independent non-executive directors (Note c)			
	Fung Pak Kei HK$'000	Ho Hon Chung, Ivan HK$'000	Fung Wa Ko HK$'000	Au Tat Wai HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total HK$'000
2020								
Fees	120	132	180	72	180	180	180	1,044
Other emoluments								
Salaries and other benefits costs	1,208	1,315	–	–	–	–	–	2,523
Contributions to retirement benefits schemes	37	–	–	–	–	–	–	37
Total emoluments	1,365	1,447	180	72	180	180	180	3,604

Notes:

a. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

b. The non-executive directors' emoluments shown above were for their services as directors of the Company.

c. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

d. Certain executive directors of the Company are entitled to bonus payments which are determined based on their contribution to the Group in prior year.

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

Neither the Acting CEO nor any of the directors waived any emoluments in the years ended 31st December, 2021 and 31st December, 2020.

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors of the Company whose emoluments are included in the disclosures in the table above. The emolument of three (2020: three) individuals, were as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	**3,105**	3,010
Contributions to retirement benefits schemes	**54**	90
Equity-settled share based-payments	**1,215**	–
	4,374	3,100

Their emoluments were within the following band:

	2021 Number of employees	2020 Number of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**2**	–

12. DIVIDEND

No dividend was paid during the year (2020: nil), nor has any dividend been proposed since the end of the reporting period (2020: nil).

13. LOSS PER SHARE

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

Loss	**2021 HK$'000**	2020 HK$'000
Loss for the purpose of basic and diluted loss per share attributable to owners of the Company	**80,270**	40,584

Number of shares	**'000**	'000 (Restated)
Weighted average number of ordinary shares for the purpose of basic loss per share (Note a)	**290,110**	250,403
Effect of dilutive potential ordinary shares:		
Shares issuable from the Company's share option (Note b)	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**290,110**	250,403

Notes:

(a) The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the years ended 31st December, 2021 and 2020 has been adjusted, taking into account the 2022 Share Consolidation (as defined in note 41) on 24th March, 2022, and assuming the 2022 Share Consolidation has been completed on 1st January, 2020.

(b) The computation of diluted loss per share for year ended 31st December, 2021 does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market prices for shares. Diluted loss per share is same as the basic loss per share for year ended 31st December, 2020 as there were no potential ordinary shares in issue for that year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST					
At 1st January, 2020	11,188	1,881	9,577	26,182	48,828
Additions	1,692	351	–	1,579	3,622
Written off	(894)	(185)	–	(7,986)	(9,065)
Disposal of a subsidiary	(385)	(90)	–	(937)	(1,412)
Transfer from right-of-use assets	–	–	1,255	–	1,255
At 31st December, 2020	**11,601**	**1,957**	**10,832**	**18,838**	**43,228**
Additions	**5**	**125**	**–**	**2,570**	**2,700**
Disposal/written off	**(325)**	**(390)**	**(370)**	**(3,433)**	**(4,518)**
At 31st December, 2021	**11,281**	**1,692**	**10,462**	**17,975**	**41,410**
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2020	9,336	1,407	9,160	18,551	38,454
Provided for the year	531	220	168	2,556	3,475
Eliminated on written off	(356)	(185)	–	(7,949)	(8,490)
Eliminated on disposal of a subsidiary	(385)	(90)	–	(937)	(1,412)
Impairment loss recognised in profit or loss	–	157	–	2,981	3,138
Transfer from right-of-use assets	–	–	1,255	–	1,255
At 31st December, 2020	**9,126**	**1,509**	**10,583**	**15,202**	**36,420**
Provided for the year	**733**	**203**	**126**	**1,579**	**2,641**
Eliminated on disposal/written off	**(92)**	**(273)**	**(362)**	**(2,082)**	**(2,809)**
Impairment loss recognised in profit or loss	**–**	**–**	**–**	**269**	**269**
At 31st December, 2021	**9,767**	**1,439**	**10,347**	**14,968**	**36,521**
CARRYING VALUES					
At 31st December, 2021	**1,514**	**253**	**115**	**3,007**	**4,889**
At 31st December, 2020	2,475	448	249	3,636	6,808

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on their cost less their residual values on a straight-line method basis at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases, or 10%
Furniture and fixtures	10% – 33 1/3%
Motor vehicles	20% – 33 1/3%
Plant and machinery and equipment	15% – 50%

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

15. RIGHT-OF-USE ASSETS

	Cold storage warehouses HK$'000	Offices HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 31st December, 2021				
Carrying amount	**136,115**	**663**	**402**	**137,180**
As at 31st December, 2020				
Carrying amount	193,068	2,196	609	195,873
For the year ended 31st December, 2021				
Depreciation charge	**(68,103)**	**(1,903)**	**(207)**	**(70,213)**
Exchange adjustments	**–**	**24**	**–**	**24**
Impairment loss recognised	**–**	**(588)**	**–**	**(588)**
For the year ended 31st December, 2020				
Depreciation charge	(66,589)	(1,941)	(183)	(68,713)
Exchange adjustments	–	148	–	148

	Year ended 31st December, 2021 HK$'000	Year ended 31st December, 2020 HK$'000
Total cash outflow for leases	**77,940**	74,127
Additions to right-of-use assets	**12,084**	887

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

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

15. RIGHT-OF-USE ASSETS (continued)

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

During the year ended 31st December, 2021, the Group entered into new lease agreements for the use of offices, cold storage warehouse and motor vehicles for half year to three years (2020: one year to three years). On the lease commencement, the Group recognised HK$8,673,000 right-of-use assets and HK$8,571,000 lease liabilities (2020: HK$887,000 right-of-use assets and HK$743,000 lease liabilities). The Group also entered into supplementary lease agreement for placement of additional rental deposits to the landlord of a cold storage warehouse as guarantee arrangement of tenancy agreement, in release of the bank deposits pledged to the bank. See note 33 for details. On the date of placement of rental deposits related to the guarantee arrangement and the scheduled adjustments of lease payment of cold storage warehouse, the Group recognised the adjustment of the fair value of rental deposits at initial recognition of HK$3,411,000 as additional lease payments against right-of-use assets.

Details of impairment assessment of right-of-use assets are set out in note 16.

Extension and termination option

The Group has extension and/or termination options in both leases for its cold storage warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group and not by the respective lessor. The termination option held is exercisable by both the Group and the respective lessor.

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

	Lease liabilities recognised as at 31st December, 2021 HK$'000	**Potential future lease payments not included in lease liabilities (undiscounted) 31st December, 2021 HK$'000**	Lease liabilities recognised as at 31st December, 2020 HK$'000	Potential future lease payments not included in lease liabilities (undiscounted) 31st December, 2020 HK$'000
Cold Storage Warehouses – Hong Kong	**143,196**	**208,932**	203,098	226,413

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31st December, 2021, there is no such triggering event.

During the year ended 31st December, 2021, lessor of a warehouse provided rent concessions resulted from the specific clause as part of the original lease contracts that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessor so as to render the underlying assets unfit or not available for use. Such rent reduction or suspension of rent amounted to HK$6,239,000 (2020: HK$1,384,807) is recognised in profit or loss during the year ended 31st December, 2021.

16. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS

The Group has been experiencing recurring losses on the cold storage and related services segment, and segment loss on trading of food and beverage segment. The management of the Group considered there were impairment indicators in respect of the property, plant and equipment, and right-of-use assets related to cold storage and related services business and trading of food and beverage business. The Group conducted impairment assessment on the recoverable amounts of property, plant and equipment, and right-of-use assets with carrying amounts before impairment allowances of (i) HK$1,793,000 and HK$136,115,000 (2020: HK$7,137,000 and HK$193,068,000) respectively related to the cold storage and related services business; and (ii) HK$269,000 (2020: nil) and HK$588,000 (2020: nil) respectively related to the trading of food and beverage business.

a. During the year ended 31st December 2021, the Group leases two cold storage warehouses and engages the business of providing management service to an associate. In June 2021, the Group terminated the management service agreement with the associate with effect from 1st October, 2021, and the lease agreement of a cold storage warehouse will be expired in January 2022.

As at 31st December 2021, the Group estimates the recoverable amounts of one CGU (2020: three CGUs) of the cold storage and related services segment to which the assets belong when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amount of CGUs has been determined based on a value in use calculation. The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections. That calculation uses cash flow projections based on financial budgets approved by the management of the Group and the key inputs are as below:

	CGU 1		CGU 2		CGU 3	
	2021	2020	**2021**	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Underlying property, plant and equipment	**1,793**	1,856	**N/A**	2,143	**N/A**	3,138
Underlying right-of-use assets	**136,115**	186,009	**N/A**	7,059	**N/A**	–
Number of months under projections	**26 months**	38 months	**N/A**	12 months	**N/A**	35 months
Annual occupancy rates	**83% – 88%**	69% – 83%	**N/A**	65%	**N/A**	85% – 89%
Annual growth in charge rates	**0.65% – 5.23%**	1.8% – 3.5%	**N/A**	–	**N/A**	2% – 4%
Pre-tax discount rate	**19.4%**	17.6%	**N/A**	20.7%	**N/A**	10.96%

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the CGUs.

The cash flow projections are covering years up to the end of the underlying leases with the pre-tax discount rate of 19.4% for CGU 1 as at 31st December, 2021 (2020: 17.6%, 20.7% and 10.96% for CGU 1, CGU 2 and CGU 3 respectively). The annual occupancy rates and annual growth in charge rates used are estimated based on the entity-specific historical information. The growth rates and discount rate have been reassessed as at 31st December, 2021 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's cold storage and related services business.

Based on the result of the assessment, the management of the Group determined that the recoverable amount of the CGU 1 is higher than the carrying amounts, no impairment has been recognised against the carrying amounts of property, plant and equipment, and right-of-use assets of CGU 1 (2020: HK$3,138,000 has been recognised against the carrying amounts of property, plant and equipment in relation to CGU 3).

16. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, AND RIGHT-OF-USE ASSETS (continued)

b. During the year ended 31st December, 2021, the Group operates the trading business with two revenue streams, including the trading of food and beverage to wholesalers and trading of Original Equipment Manufacturer ("OEM") beverage product in PRC. As at 31st December, 2021, the Group estimates the recoverable amounts of two CGUs of the revenue streams (i.e. CGU 4 and CGU5).

The recoverable amounts of CGUs has been determined based on a value in use calculation. The management of the Group engaged an independent professional valuer in assisting the preparation of cash flow projections. That calculation uses cash flow projections based on financial budgets approved by the management of the Group.

The cash flow projections are covering years up to the end of the underlying leases with the pre-tax discount rate of 18.2% for both CGU 4 and CGU 5 as at 31st December, 2021. Other key assumption for the value in use calculations related to the estimation of cash inflows/outflows which include budgeted sales.

Based on the result of the assessment, the management of the Group determined that the carrying amounts of CGU 4 and CGU 5 are higher than the recoverable amounts. HK$37,000 and HK$294,000 impairment has been recognised against the carrying of property, plant and equipment and right-of-use asset of CGU 4 respectively. HK$232,000 and HK$294,000 impairment has been recognised against the carrying of property, plant and equipment and right-of-use asset of CGU5 respectively.

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

	2020 HK$'000
Interest in an associate (Note a):	
Cost of investment in an associate	– *
Fair value adjustment on non-current interest-free loan to an associate	42,079
Share of post-acquisition losses and other comprehensive expenses	(34,579)
Impairment loss recognised (Note c)	(7,500)
	–
Loan to an associate (Note b)	42,003
Share of post-acquisition losses and other comprehensive expenses	(11,945)
	30,058
Amounts due from an associate (Note d)	20,679

* Less than HK$1,000

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

Notes:

a. Details of the associates held by the Group as at 31st December, 2021 and 2020 are as follows:

Name of associates	Country of incorporation/principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activities
		2021 %	2020 %	2021 %	2020 %	
Direct associate						
Loving Peace International Limited ("Loving Peace")	British Virgin Islands/ Hong Kong	–	30	–	20	Investment holding
Indirect associate						
Brilliant Cold Chain Solutions Limited ("BCCS")	Hong Kong	–	30	–	20	Provision of cold storage and related services

In September 2021, the Group disposed of the entire interest in Loving Peace to the other existing shareholder of the associate for proceed of HK$14,340,000, of which HK$5,154,000 is settled in cash (received in September 2021) and HK$9,186,000 is settled in form of assignment of the accounts receivable by the other existing shareholder of the same amount to the Group. This transaction has resulted in the recognition of a loss in profit or loss, calculated as follows.

	HK$'000
Proceeds of disposal	14,340
Less: Carrying amount of the Group's interest in the associate on the date of loss of significant influence including the loan to an associate (Note b)	(29,372)
Loss on disposal of an associate recognised	(15,032)

b. At 31st December, 2020, loan to an associate is unsecured, interest-free and considered as long-term interest that, in substance form part of the Group's net investments in the relevant associate. Fair value of the loan to an associate on initial recognition is determined based on effective interest rate of 16.5% per annum and the difference between the principal amount of the loan and its fair value determined on initial recognition is included in the investment cost in an associate as deemed contribution to the associate. As at 31st December, 2020, included in fair value adjustment on non-current interest-free loan to an associate are HK$19,019,000 recognised at initial recognition as at 31st December, 2018 and HK$23,060,000 additional adjustment due to extension of longer expected repayment years recognised as at 31st December 2019. As at 31st December 2020, the carrying amount of the loan to an associate of HK$42,003,000 before share of post-acquisition losses are assessed ECL under HKFRS 9 and details of impairment assessment are set out in note 36. In September 2021, the Group disposed of the entire interest in Loving Peace, including the loan to an associate (see note a above for details).

c. At 31st December, 2020, an accumulated impairment loss in respect of interest in an associate amounted to HK$7,500,000 have been recognised. During the year ended 31st December, 2020, the associate remained in loss making position and in position of net liabilities of HK$37,962,000. The management of the Group considered there were impairment indicators and hence conducted an impairment assessment on the interest in an associate by comparing its recoverable amount (higher of the value in use and fair value less cost of disposal) with its carrying amount, no additional impairment made during 2020. The value in use calculations used cash flow projections based on latest financial budgets prepared by the management of the associate covering a period of 5 years. The cash flows beyond the 5-year period were extrapolated with 3% growth rate, and discounted at 18.6% per annum which was determined by an independent professional valuer engaged by the Group. In September 2021, the Group disposed of the entire interest in Loving Peace (see note a above for details).

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

Notes: (continued)

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

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

	2021 **HK$'000**	2020 HK$'000
1 to 30 days	–	1,233
31 to 60 days	–	1,268
61 to 90 days	–	1,280
Over 90 days	–	16,611
	–	20,392

At 31st December, 2020, the amount of HK$14,272,000 was past due more than 90 days and was not considered as in default. The Group rebutted the presumption of default under ECL model for amounts due from an associate over 90 days past due as the Group expects the discounted cash flows is sufficient to recover the contractual cash flows that are due from the trade amount due from an associate. Details of impairment assessment of loan to an associate and amounts due from an associate were set out in note 36.

During the year ended 31st December, 2021, the Group entered into a termination agreement with the associate and ceased from the provision of management services to the associate. Pursuant to the management service agreement, mutual termination is subject to serving the other party at least twelve months' notice in writing. As a result of the early termination, the Group is obliged to bear a loss on early termination in the amount HK$27,242,000 payable to the associate, which is settled by offsetting against the amounts due from an associate in the amount of HK$27,242,000 upon arm's length negotiation based on commercial terms. Loss on termination of management service agreement was recognised in profit or loss during the year ended 31st December, 2021.

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

Summarised financial information of an associate

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

	2021 **HK$'000**	2020 HK$'000
Current assets	–	25,180
Non-current assets	–	230,854
Current liabilities	–	(83,338)
Non-current liabilities	–	(210,658)
	–	(37,962)
Revenue	**57,864**	76,648
Loss and total comprehensive expense for the year	**(9,615)**	(53,389)
Share of loss of an associate	**(2,885)**	(16,017)

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

	2021 **HK$'000**	2020 HK$'000
Net liabilities of the associate	–	(37,962)
Proportion of the Group's ownership interest in the associate	–	30%
The Group's share of net liabilities of the associate	–	(11,389)
Loan to an associate	–	42,003
Other adjustment (Note)	–	6,944
Less: impairment loss recognised	–	(7,500)
Carrying amount of the Group's interest in the associate	–	30,058

Note: It represents the differences in calculating the fair value adjustment on non-current interest free loan to an associate in the Group's consolidated financial statements and the shareholders' loans in the associate's financial statements.

18. FINANCIAL ASSETS AT FVTPL

	2021	2020
	HK$'000	HK$'000
Equity securities listed in Hong Kong		
Financial assets at FVTPL	–	459

19. EQUITY INSTRUMENT AT FVTOCI

	2021	2020
	HK$'000	HK$'000
Equity instrument at FVTOCI	–	–

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate nor appoint any director to the board of directors of Richbo and accordingly, the investment is not classified as associate.

At 31st December, 2021 and 2020, the equity instrument in Richbo is measured at fair value. Since Richbo remains inactive and has insignificant amount of net asset value as at 31st December, 2021 and 2020, the management considers that the fair value of the equity instrument is minimal.

20. LOAN RECEIVABLES

	2021	2020
	HK$'000	HK$'000
Loan receivables	**2,764**	2,740
Less: Allowance for credit loss	**(2,764)**	(1,076)
	–	1,664
Secured loan due within one year and classified under current assets (Note)	–	1,664

20. LOAN RECEIVABLES (continued)

Note:

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential customer's credit quality and defines loan terms with borrower. The credit of the borrowers granted with loans are reviewed once a year.

As at 31st December, 2021, the Group hold a collateral of a painting over a secured loan receivable with principal amount of HK$2,400,000 (2020: HK$2,400,000) which carries fixed-rate interests at 12% per annum.

In addition, as at 31st December, 2021, loan receivable with principal amount of HK$336,000 (2020: HK$336,000) which is past due as at the reporting date for more than 90 days. The Group reviewed the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses were made for irrecoverable amount.

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

	2021 HK$'000	2020 HK$'000
Repayable on demand	**2,764**	2,740

As at 31st December, 2021, included in the carrying amount of loan receivables is allowance for credit loss of HK$2,764,000 (2020: HK$1,076,000). Details of impairment assessment of loan receivables are set out in note 36.

21. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Trade receivables	**56,136**	41,093
Less: Allowance for credit loss	**(272)**	(126)
	55,864	40,967
Other receivables	**7,237**	1,161
Deposits and prepayments	**5,147**	5,687
Rental deposits	**50,201**	16,695
	118,449	64,510
Less: Rental deposits shown under non-current assets	**(47,384)**	(16,613)
	71,065	47,897

As at 1st January, 2020, trade receivables from contracts with customers amounted to HK$51,200,000.

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

The following is an aged analysis of trade receivables (net of allowance for credit loss) presented based on the invoice dates, which approximate the respective revenue recognition dates at the end of the reporting period.

	2021 **HK$'000**	2020 HK$'000
0 to 30 days	**26,539**	15,528
31 to 60 days	**15,431**	9,723
61 to 90 days	**6,882**	7,775
91 to 120 days	**2,570**	2,001
More than 120 days	**4,442**	5,940
	55,864	40,967

Except for certain customers who are allowed 30 to 60 days credit period, no credit period is allowed by the Group in respect of provision of cold storage and logistics services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

As at 31st December, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$33,310,000 (2020: HK$26,481,000) which are past due at the reporting date. Out of the past due balances, HK$626,000 (2020: HK$19,000) has been past due 90 days or more and is not considered as in default as the default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. The Group does not hold any collateral over these balances.

The Group's other receivables balance mainly includes the payments on behalf of cold storage customers amounting HK$2,497,000 (2020: nil) and the assigned accounts receivables amounting HK$3,534,000 (2020: nil) which is part of the consideration of disposal of entire interest in Loving Peace (note 17), such assigned accounts receivables is subsequently settled in January 2022. The directors of the Company consider that the allowance for credit losses for other receivables is insignificant to the Group.

Details of impairment assessment of trade and other receivables, and deposits are set out in note 36.

22. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.11% (2020: 0.06%) per annum.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit loss is provided.

23. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**8,747**	6,451
Accrued staff costs	**4,233**	4,760
Bond interest payable	**2,992**	2,992
Provision for an onerous contract (Note)	**–**	1,622
Other payables and accrued charges	**6,241**	4,107
	22,213	19,932

Note: The provision was made for an onerous contract in relation to the provision of management services for cold storage and related services business to the associate during the year ended 31st December, 2020. Under this contract, the unavoidable costs of meeting the obligations have exceeded the economic benefit expected to be derived from the service income generated by the Group. In June 2021, the Group terminated the relevant management service agreement with effect from 1st October, 2021. The reversal of provision and provision for the onerous contract was recognised in "Cost of revenue".

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	**5,390**	4,495
31 to 60 days	**2,353**	1,776
61 to 90 days	**848**	110
91 to 120 days	**41**	17
More than 120 days	**115**	53
	8,747	6,451

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

24. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Cold storage services	**8,744**	4,865

As at 1st January, 2020, contract liabilities amounted to HK$4,894,000.

Contract liabilities represent advance billings to customers for cold storage services but revenue has not recognised as performance obligations has not yet satisfied before the end of reporting period. The Group normally request payments from customers one-month in advance for cold storage services.

During the year ended 31st December, 2021, revenue recognised that was included in the contract liability balances at the beginning of the year amounted to HK$4,865,000 (2020: HK$4,894,000).

25. BANK BORROWING

	2021 HK$'000	2020 HK$'000
Fixed-rate unsecured bank borrowing	**35,000**	35,000
Carrying amount of bank borrowing (2020: containing a repayment on demand clause (shown under current liabilities)) and the maturity analysis based on the scheduled repayment date set out in the loan agreement is:		
Within one year	–	35,000
More than one year, but not exceeding two years	**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.

As at 31st December, 2020, the borrowing is originated to be payable in full on 23rd April, 2021. The effective interest rate (which are also equal to contracted interest rates) on the Group's fixed-rate bank borrowing is 5% per annum. On 12th January, 2021, the Group had entered into a supplemental loan agreement with the bank in which the borrowing would be extended to 23rd April, 2023 with a fixed interest rate of 5% per annum and the repayable on demand clause has been removed.

26. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**65,943**	68,022
Within a period more than one year but not exceeding two years	**67,591**	62,406
Within a period more than two years but not exceeding five years	**11,406**	75,563
	144,940	205,991
Less: Amount due for settlement within twelve months shown under current liabilities	**(65,943)**	(68,022)
Amount due for settlement after twelve months shown under non-current liabilities	**78,997**	137,969

The weighted average incremental borrowing rate applied to lease liabilities is 4.63% (2020: 4.63%).

27. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2020	479	(479)	–
(Charged) credited to profit or loss	(16)	16	–
At 31st December, 2020	**463**	**(463)**	**–**
(Charged) credited to profit or loss	**(445)**	**445**	**–**
At 31st December, 2021	**18**	**(18)**	**–**

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has unused tax losses of HK$188,634,000 (2020: HK$153,643,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$109,000 (2020: HK$2,803,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$188,525,000 (2020: HK$150,840,000) due to the unpredictability of future profit streams. During the year ended 31st December, 2020, a tax loss of HK$95,832,000 has been cancelled due to disposal of a subsidiary. As at 31st December, 2021, HK$9,107,000 (2020: no) tax losses included in unrecognised tax losses that will expire in 2026 (2020: nil). Other losses are carried forward indefinitely.

At the end of the reporting period, the Group has other deductible temporary differences of HK$5,795,000 (2020: HK$3,960,000) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

28. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1st January, 2020, 31st December, 2020 and 31st December, 2021	60,000,000	600,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1st January, 2020	2,432,304	24,323
Subscription of new shares (Note)	468,800	4,688
At 31st December, 2020 and 31st December, 2021	2,901,104	29,011

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

29. DERIVATIVE FINANCIAL INSTRUMENTS

On 6th September, 2018 and 29th October, 2018, the Group entered into an agreement and a supplemental agreement (collectively referred to as the "JV Agreement") with two independent investors, in which the Group, and the two investors were committed to invest 30%, 60% and 10% of the shareholdings in Loving Peace, an associate of the Group respectively. In accordance with the JV Agreement, the Group grants two put options to the investor who invest 60% of the shareholding in Loving Peace ("Investor A").

In September 2021, the Group entered the deed of termination with the shareholders of Loving Peace to release and discharge each other from their respective duties, obligations and liabilities as set out in the JV Agreement, which resulted to the derecognition of the derivative financial instruments.

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

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

30. BONDS

On 13th November, 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds in an aggregated principal amount of up to HK$500,000,000. The aggregate principal amount of HK$100,000,000 were issued in the year ended 31st December, 2015 and 31st December, 2014 with principal amount of HK$60,000,000 and HK$40,000,000, respectively.

During the period from 17th June, 2021 to 8th October, 2021, the Company and the placing agent entered into the deed of amendment for two-year extension with principal amount of HK$90,000,000.

The principal terms of the bonds are summarised below:

Aggregate principal amount:	Up to HK$500,000,000
Denomination:	In denomination of HK$10,000,000 each in the minimum (or for any amount over HK$10,000,000, in integral multiples of HK$10,000,000 each).
Interest:	6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.
Maturity date:	The ninth (2020: seventh) anniversary of the date of issue of the relevant bond.
Early redemption:	The Company may at any time before the maturity date and from time to time by serving at least 60 days' (2020: 10 day's) prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

Bond with principal amount of HK$10,000,000 (2020: HK$40,000,000) will mature within twelve months from the end of the reporting period date accordingly, classified as current. Subsequent to the end of the reporting period, the Company and the placing agent entered into the deed of amendment for two-year extension with the principal amount of HK$10,000,000.

At the end of the reporting period, interest on bonds payable at par value of HK$100,000,000 (2020: HK$100,000,000) is payable annually and the principal is repayable in full upon maturity.

31. SHARE OPTION SCHEME

The Company adopted a share option scheme (the "2015 Scheme") on 2nd June, 2015 (the "Adoption Date"), under which the board of directors may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares of the Company subject to the terms and conditions stipulated therein.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out below:

(a) Purpose:

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

(b) Eligibility:

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

(c) (1) Total number of shares in the capital of the Company available for issue under the 2015 scheme as at end of the reporting period: 290,110,400 (2020: 290,110,400); and

(2) Percentage of the issued share capital that it represents as at end of the reporting period: 10%.

(d) Maximum entitlement of each eligible participant under the 2015 Scheme:

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

(1) each eligible participant must not exceed 1.0% of the total number of shares in issue; and

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

31. SHARE OPTION SCHEME (continued)

(e) Period within which the shares must be taken up under an option:

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

(f) Minimum period for which an option must be held before it can be exercised:

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

(g) (1) Price payable on application or acceptance of the option: A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option;

(2) The period within which payments or calls must or may be made: 21 days after the offer date of an option (the "Offer Date"); and

(3) The period within which loans for the purposes of the payments or calls must be repaid: Not applicable.

(h) Basis of determining the subscription price:

The subscription price for shares under the 2015 Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the highest of:

(1) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on the Offer Date, which must be a business day;

(2) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the Offer Date; and

(3) the nominal value of the share on the Offer Date.

(i) The remaining life of the 2015 Scheme: Approximately 4 years (2020: 5 years) (expiring on 1st June, 2025).

31. SHARE OPTION SCHEME (continued)

During the year ended 31st December, 2021, 116,044,160 share options were granted to certain directors and employees under the 2015 Scheme.

At 31st December, 2021, the number of shares in respect of which options had been granted under the Scheme was 116,044,160 (2020: nil), representing 4% (2020: nil) of the shares of the Company in issue at that date.

Options may be exercised at any time from 8 months from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price	Exercise dates
2015 Scheme	30th April, 2021	8 months	1st January, 2022 to 29th April, 2031	HK$0.039 per share*	N/A

The following table discloses movements of the 2015 Scheme during the year:

Grantees	Outstanding at 1st January, 2021	Granted during year	Exercised during year	Forfeited during year	Expired during year	Outstanding at 31st December, 2021	Exercisable at 31st December, 2021
Directors	–	58,022,080	–	–	–	58,022,080	–
Employees	–	58,022,080	–	–	–	58,022,080	–
	–	116,044,160	–	–	–	116,044,160*	–

* Subsequent to the reporting period, pursuant to the terms of the 2015 Scheme, the adjustments in relation to the outstanding share options to be made upon the 2022 Capital Reorganisation (as defined and detailed in note 41) became effective on 24th March, 2022, the adjusted exercise price per consolidated share is HK$0.39, and the total number of consolidated shares to be issued upon full exercise of the outstanding share options is 11,604,416 shares. In addition, the total number of shares available for issue under the 2015 scheme is 29,011,040.

During the year ended 31st December, 2021, options were granted on 30th April, 2021. The estimated fair values of the options granted on this date are HK$2,623,000.

These fair values were calculated using the Binomial Option-Pricing model. The inputs into the model were as follows:

	2021
Exercise price	**HK$0.039**
Expected volatility	**71.63%**
Expected life	**10 years**
Risk-free rate	**1.42%**
Expected dividend yield	**0%**

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years.

The Group recognised the total expense of HK$2,623,000 for the year ended 31st December, 2021 in relation to share options granted by the Company.

32. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntaries contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit schemes. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost charged to the profit or loss of HK$4,164,000 (2020: HK$3,918,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no forfeited contributions available to reduce future contributions at the end of the reporting period.

33. PLEDGE OF ASSETS

As at 31st December, 2021, bank facilities for providing guarantees by a bank in favour of the Group's licence of operating cold storage service, to the extent of HK$3,500,000 (2020: HK$3,500,000) are secured by bank deposits amounting to HK$1,700,000 (2020: HK$3,500,000). The amount utilised at 31st December, 2021 was approximately HK$1,410,000 (2020: HK$1,410,000).

As at 31st December, 2020, bank deposits amounting to of HK$64,285,000 are pledged to a bank, as bank guarantee issued in favour of one landlord for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements. During the year ended 31st December 2021, the Group has negotiated with the landlord for the guarantee arrangement of tenancy agreement, bank deposits amounting to HK$64,285,000 are released from the bank, and the Group paid a cash deposits with an amount equivalent to six months' rent payable amounting HK$34,822,000 to the landlord as the guarantee.

The pledged deposits bear fixed interest rate of 0.01% (2020: 0.25% to 1.2%) per annum as at 31st December, 2021.

The Group performed impairment assessment on pledged bank deposits balance and concluded that the probability of defaults of the counterparty banks is insignificant and, accordingly, no allowance for credit losses is provided.

34. DISPOSAL OF A SUBSIDIARY

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

Analysis of assets and liabilities over which control was lost:

	2020 HK$'000
Trade and other receivables, deposits and prepayments	763
Bank balances and cash	167
Trade and other payables	(705)
Net assets disposed of	225

Loss on disposal of a subsidiary:

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

Net cash outflow arising on disposal:

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

* Less than HK$1,000

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank borrowing, bonds and lease liabilities disclosed in notes 25, 30 and 26 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital, share premium and reserves.

The management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	–	459
Financial assets at FVTOCI	–	–
Financial assets at amortised cost	**174,921**	260,735
Financial liabilities		
Derivative financial instruments	–	1,800
Amortised cost	**151,859**	148,128

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, loan to an associate, equity instrument at FVTOCI, rental deposits paid, trade and other receivables, amounts due from an associate, pledged bank deposits, loan receivables, bank balances and cash, trade and other payables, bank borrowing, derivative financial instruments and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowing (see note 25 for details), bonds (see note 30 for details) and lease liabilities (see note 26 for details). The Group is also exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(ii) Price risk

The Group was exposed to equity price risk through its investments in listed equity securities as at 31st December, 2020. During the year ended 31st December, 2021, the Group disposed the investments and hence, no such investments as at 31st December, 2021. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment

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

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management of the Group annually.

Trade receivables arising from contracts with customers

For cold storage and related services and trading of food and beverage segments, the Group has concentration of credit risk as 19% (2020: 17%) and 58% (2020: 59%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. In order to minimise the credit risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts and performed annual review on customers' and borrowers' credit quality.

Except for trade receivables with significant balances and credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's aging of outstanding balances. Impairment of trade receivables of HK$146,000 (2020: reversal of impairment of HK$737,000) 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. No trade receivables have been written off during the years ended 31st December, 2020 and 2021.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Loan to an associate and amounts due from an associate

Loan to an associate and amounts due from an associate as at 31st December, 2020 are assessed for ECL individually. The credit risk of the loan to an associate and amounts due from an associate has increased significantly since initial recognition and the balances are considered as doubtful and assessed under lifetime ECL. The Group regularly monitors the business performance of the associate. The management of the Group has prepared cash flow projections taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows, and estimate the amount of ECL of loan to an associate and amounts due from an associate by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances, which represents the credit risk of the associate. Based on the assessment, no allowance of credit loss has been recognised in respect of the balances during the year ended 31st December, 2020.

As at 31st December, 2020, the Group has concentration of credit risk relating to loan to an associate and amounts due from an associate of HK$62,682,000. The loan to an associate and amounts due from an associate were disposed of or settled during the year ended 31st December, 2021 upon completion of the disposal of the associate (see note 17 for details).

Loan receivables

Loan receivables is assessed for ECL individually. The credit risk of the loan receivable with gross carrying amount of nil (2020: HK$2,404,000) has increased significantly since initial recognition and the balance is considered as doubtful and assessed under lifetime ECL. The credit risk of loan receivable with gross carrying amount of HK$2,764,000 (2020: HK$336,000) is considered as loss because the principal of the loan is overdue over 90 days or credit-impaired. The amount is assessed under lifetime ECL.

The management of the Group estimates the amount of ECL of this balance based on the historical observed default rates over the expected life of the balance and are adjusted by forward-looking information and assessed collateral value. Based on the assessment, allowance of credit loss amounting HK$1,688,000 (2020: HK$211,000) has been recognised in respect of the loan receivables during the year.

For money lending services segment, the Group's loan receivables from two (2020: two) borrowers represent 100% of loan receivables.

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Other financial assets

ECL for all other instruments including other receivables and rental deposits paid are assessed individually. All other instruments that are considered, with reference to internal credit rating, as low risk are assessed under 12m ECL. All other instruments that are considered as doubtful or loss are assessed under lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The Group has concentration of credit risk relating to pledged bank deposits of HK$1,700,000 (2020: HK$67,785,000) and rental deposits of HK$47,384,000 to a landlord (2020: nil).

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

Impairment assessment

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

Internal credit rating	Description	Trade receivables (including trade amount due from an associate)	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or debtor frequently repays after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	Lifetime ECL/ 12-month ECL	**Gross carrying amount 2021 HK$'000**	Gross carrying amount 2020 HK$'000
Trade receivables	1	N/A	Low risk	Lifetime ECL (collective basis)	**20,445**	15,425
			Low risk	Lifetime ECL (individual basis)	**35,691**	25,668
					56,136	41,093
Loan to an associate	2	N/A	Doubtful	Lifetime ECL	–	42,003
Trade amounts due from an associate	2	N/A	Doubtful	Lifetime ECL	–	20,392
Non-trade amounts due from an associate	2	N/A	Doubtful	Lifetime ECL	–	287
Loan receivables	3	N/A	Doubtful	Lifetime ECL	–	2,404
			Loss	Lifetime ECL – credit-impaired	**2,764**	336
					2,764	2,740
Other receivables	5	N/A	Low risk	12m ECL	**7,237**	1,161
Rental deposits paid	5	N/A	Low risk	12m ECL	**50,201**	16,695
Pledged bank deposits	4	A or above	N/A	12m ECL	**1,700**	67,785
Bank balances	4	A or above	N/A	12m ECL	**59,711**	69,565

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes:

1) Trade receivables with significant outstanding balances with gross carrying amount of HK$35,691,000 (2020: HK$25,668,000) as at 31st December, 2021 for ECL were assessed individually. The default risk of these debtors is low after considering the credit worthiness and past payment history of these debtors and forward-looking information available at the end of the reporting period. At 31st December, 2021, allowance of credit loss of HK$191,000 (2020: HK$68,000) is provided on these balances based on individual assessment.

The remaining trade receivables of HK$20,445,000 (2020: HK$15,425,000) which consists of a large number of customers which share common risk characteristics are assessed on a collective basis. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis as at 31st December, 2021.

Gross carrying amount

	2021 HK$'000	2020 HK$'000
Current (not past due)	**4,744**	5,461
Past due		
– 1 to 30 days	**11,894**	6,585
– 31 to 60 days	**3,241**	2,810
– 61 to 90 days	**476**	569
– More than 90 days	**90**	–
At 31st December, 2021	**20,445**	15,425

At 31st December, 2021, the Group considered these trade receivables as low risk of default. Allowance of credit loss of HK$81,000 (2020: HK$58,000) 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' aging.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (not credit-impaired) HK$'000
At at 1st January, 2020	863
Changes due to financial instruments recognised as at 1st January, 2020:	
– Impairment losses reversed	(863)
New financial assets originated	126
As at 31st December, 2020	**126**
Changes due to financial instruments recognised as at 1st January, 2021:	
– Impairment losses reversed	**(126)**
New financial assets originated	**272**
As at 31st December, 2021	**272**

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes: (continued)

1) (continued)

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

	2021 Increase (decrease) in lifetime ECL non-credit impaired HK$'000	2020 Increase (decrease) in lifetime ECL non-credit impaired HK$'000
Settlement in full of trade debtors with gross amount of HK$41,093,000 (2020: HK$51,200,000)	**(126)**	(863)
New trade receivables with gross carrying amount of HK$56,136,000 (2020: HK$41,093,000)	**272**	126

2) As at 31st December, 2020, loan to an associate with gross carrying amount of HK$42,003,000 and amounts due from an associate with gross carrying amount of HK$20,679,000 were assessed individually.

Loan to an associate and amounts due from an associate at 31st December, 2020 is assessed for ECL individually. Loan to an associate and amounts due from an associate are considered as doubtful and assessed for ECL under lifetime ECL model individually as the credit risk of the loan to and amounts due from an associate have increased significantly since initial recognition and the evidence for ECL assessment at individual level is available. The management of the Group has prepared cash flow projections taking into account the business growth of the associate in order to estimate the amount of future repayments and timing of such cash flows, and estimate the amount of ECL of loan to an associate is calculated by discounting the difference between the amounts due to the Group and the expected repayments at an effective interest rate determined at initial recognition of such balances, which represents the credit risk of the associate.

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

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Impairment assessment (continued)

Notes: (continued)

3) As at 31st December, 2021, loan receivables with gross carrying amount of HK$2,764,000 (2020: HK$2,740,000) was assessed individually.

As at 31st December, 2020, loan receivables with gross carrying amount of HK$2,404,000 was considered as doubtful because loan principal was extended at due date. There have been significant increase in credit risk since initial recognition but it is not credit-impaired. The Group reassesses lifetime ECL for the loan receivable. Credit loss allowance of HK$211,000 was provided for the loan receivable after considering internal credit ratings of these loans, ageing, repayment history and/or past due status of the loan and forward-looking information at the end of the reporting period.

As at 31st December, 2021, loan receivables with gross carrying amount of HK$2,764,000 (2020: HK$336,000) were considered as loss as interest and the principal of the loan were either overdue over 90 days or default in payment. Credit loss allowance of HK$1,688,000 (2020: nil) was provided for the receivable as there is evidence indicating that the receivable is credit-impaired.

The following table shows the movement in lifetime ECL that has been recognised for loan receivables:

	Lifetime ECL (not credit-impaired HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At at 1st January, 2020	529	336	865
Changes due to financial instruments recognised as at 1st January, 2020:			
– Impairment losses recognised	211	–	211
As at 31st December, 2020	**740**	**336**	**1,076**
Changes due to financial instruments recognised as at 1st January, 2021:			
– Transfer to credit-impaired	**(740)**	**740**	**–**
– Impairment losses recognised	**–**	**1,688**	**1,688**
As at 31st December, 2021	**–**	**2,764**	**2,764**

4) The credit risk on liquid funds and pledged bank deposits are limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

5) The Group has assessed and concluded that the risk of default rate for other financial assets are steady based on the Group's assessment of the financial health of the counterparties, historical default experience and forward-looking information available at the end of the reporting period. Thus, the directors of the Company considered that the ECL of the other financial assets of the Group is insignificant as at 31st December, 2021 and 2020.

36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities and derivative financial instruments. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and derivative financial instrument on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or 6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2021							
Non-derivative financial liabilities							
Non-interest bearing	–	13,867	–	–	–	13,867	13,867
Lease liabilities	4.63	35,909	35,342	69,823	11,472	152,546	144,940
Bank borrowing	5	863	863	35,575	–	37,301	35,000
Bonds and bonds interest payable	6	13,600	2,400	45,400	53,000	114,400	102,992
		64,239	38,605	150,798	64,472	318,114	296,799

	Weighted average effective interest rate %	On demand or 6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2020							
Non-derivative financial liabilities							
Non-interest bearing	–	10,136	–	–	–	10,136	10,136
Lease liabilities	4.63	37,920	37,758	67,471	77,764	220,913	205,991
Bank borrowing	5	35,000	–	–	–	35,000	35,000
Bonds and bonds interest payable	6	3,600	42,400	63,600	–	109,600	102,992
		86,656	80,158	131,071	77,764	375,649	354,119
Derivative financial instruments	–	–	1,800	–	–	1,800	1,800

36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Bank borrowing with a repayment on demand clause is included in the "on demand or 6 months or less" time band in the above maturity analysis. As at 31st December, 2020, the carrying amount of this bank borrowing amounted to HK$35,000,000.

Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

		Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments				
	Weighted average effective interest rate %	6 months or less HK$'000	6 to 12 months or less HK$'000	1 to 2 years HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31st December, 2020	5	35,575	–	–	35,575	35,000

(c) Fair value measurements of financial instruments

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

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

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

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value hierarchy

	Level 1 HK$'000	Level 3 HK$'000	Total HK$'000
2021			
Equity instrument at FVTOCI			
Unlisted equity instrument (Note 3)	–	–	–
2020			
Financial assets at FVTPL			
Held for trading listed equity securities (Note 1)	459	–	459
Equity instrument at FVTOCI			
Unlisted equity instrument (Note 3)	–	–	–
Financial liabilities			
Derivative financial liability (Note 2)	–	1,800	1,800

Notes:

1) The fair value of listed equity securities is determined with reference to quoted market bid prices from the Stock Exchange.

2) The fair value of derivative financial instrument was calculated using Binomial Model. The significant unobservable input mainly include expected volatility of 34.29%, taking account into volatility of other comparable listed companies in Hong Kong. A slight decrease in the expected volatility used in isolation would result in a decrease in the fair value measurement of the derivative, and vice versa. A 3% increase/decrease in the volatility holding all other variables constant would increase the carrying amount of the derivative by HK$140,000/decrease the carrying amount of the derivative by HK$140,000.

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

3) Since Richbo remains inactive and has insignificant amount of net asset value as at 1st January, 2020, 31st December, 2020 and 2021, the management considers that the fair value of the equity instrument is minimal.

There were no transfers between Levels 1 and 2 during the years.

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI HK$'000	Derivative financial instruments HK$'000	Total HK$'000
At 1st January, 2020	–	6,725	6,725
Change in fair value	–	(4,925)	(4,925)
At 31st December, 2020	**–**	**1,800**	**1,800**
Change in fair value	**–**	**(1,800)**	**(1,800)**
At 31st December, 2021	**–**	**–**	**–**

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowing HK$'000	Lease liabilities HK$'000	Bond interest payable HK$'000	Total HK$'000
As at 1st January, 2020	65,000	268,910	2,992	336,902
Financing cash flows:				
Interest paid	(2,158)	(11,093)	(6,000)	(19,251)
Repayments of lease liabilities	–	(63,034)	–	(63,034)
Repayment of bank borrowing	(30,000)	–	–	(30,000)
Non-cash transactions:				
Interest expenses	2,158	11,093	6,000	19,251
New lease entered	–	743	–	743
Derecognition of lease liabilities	–	(779)	–	(779)
Exchange adjustments	–	151	–	151
As at 31st December, 2020	**35,000**	**205,991**	**2,992**	**243,983**
Financing cash flows:				
Interest paid	**(1,726)**	**(8,276)**	**(6,000)**	**(16,002)**
Repayments of lease liabilities	**–**	**(69,664)**	**–**	**(69,664)**
Non-cash transactions:				
Interest expenses	**1,726**	**8,276**	**6,000**	**16,002**
New lease entered	**–**	**8,571**	**–**	**8,571**
Exchange adjustments	**–**	**42**	**–**	**42**
As at 31st December, 2021	**35,000**	**144,940**	**2,992**	**182,932**

38. RELATED PARTY TRANSACTIONS

During the year ended 31st December, 2021, the Group entered into the following transactions with related parties:

(1) A subsidiary of the Company entered into the management service agreement with the Group's associate in accordance with the terms of a joint venture agreement dated 6th September, 2018 to operate the cold storage and related services business of the associate. The subsidiary shall assist the associate for its daily operations of the cold storage and related services business, and the associate shall pay to a subsidiary a monthly management fee, based on a pre-determined rate of revenue of the associate, for the management services rendered. In June 2021, the subsidiary terminated the management service agreement with the associate with effect from 1st October, 2021. During the year ended 31st December, 2021, management fee income amounted to HK$8,854,000 (2020: HK$11,775,000) was recognised as revenue in profit or loss.

(2) During the year ended 31st December, 2021, a subsidiary of the Company provided services on usage of machinery to the Group's associate amounted to HK$1,673,000 (2020: HK$1,480,000).

(3) During the year ended 31st December, 2021, the Group disposed of entire interest in Loving Peace to the existing shareholder of the associate (see note 17 for details).

(4) During the year ended 31st December 2021, a company controlled by a close family member of Mr. Fung Pak Kei (an executive director of the Company) provided service to the Group amounted to HK$976,000 (2020: nil).

The Group did not enter into any other transaction with its related parties during the years ended 31st December, 2021 and 31st December, 2020.

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

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31st December, 2021 and 2020 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	**Proportion of ownership interest held by the Company**		Principal activities
			2021	2020	
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
Indirect subsidiary:					
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	**75%**	75%	Investment holding
Brilliant Giant Trading Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Inactive
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	**100%**	100%	Provision of management service
Gold View Management Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Provision of cold storage and related services, and cold storage management services
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	**100%**	100%	Investment holding
Mutual Credit Limited	Hong Kong	HK$5,000,000 Ordinary shares	**100%**	100%	Provision of money lending services

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	Proportion of ownership interest held by the Company 2021	2020	Principal activities
Sky Elegant Development Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
Topgain Investments Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Investment holding
Tansun Trading (HK) Company Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Financial investment
同瞬貿易 (廣州) 有限公司	PRC#	RMB20,000,000 Registered capital RMB20,000,000 Paid-up capital	**100%**	100%	Trading of food and beverage

\# Wholly-foreign owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 HK$'000	2020 HK$'000
Non-current Assets		
Investment in a subsidiary	**1**	1
Amounts due from subsidiaries	**95,273**	139,619
	95,274	139,620
Current Assets		
Other receivables, deposits and prepayments	**629**	592
Amounts due from subsidiaries	**36,724**	69,083
Bank balances and cash	**15,722**	11,563
	53,075	81,238
Current Liabilities		
Other payables	**4,440**	4,466
Bonds	**10,000**	40,000
Amounts due to a subsidiary	**35,242**	35,242
	49,682	79,708
Net Current Assets	**3,393**	1,530
Total Assets Less Current Liabilities	**98,667**	141,150
Capital and Reserves		
Share capital	**29,011**	29,011
Share premium and reserves (Note)	**(20,344)**	52,139
	8,667	81,150
Non-current Liability		
Bonds	**90,000**	60,000
	98,667	141,150

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

Note: Movement of the Company's share premium and reserves are set out below:

	Share premium HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2020	374,226	39,984	84,239	–	(422,585)	75,864
Loss and total comprehensive expense for the year	–	–	–	–	(30,559)	(30,559)
Subscription of new shares	6,938	–	–	–	–	6,938
Transaction costs attributable to subscription of shares	(104)	–	–	–	–	(104)
At 31st December, 2020	**381,060**	**39,984**	**84,239**	**–**	**(453,144)**	**52,139**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**–**	**(75,106)**	**(75,106)**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**2,623**	**–**	**2,623**
At 31st December, 2021	**381,060**	**39,984**	**84,239**	**2,623**	**(528,250)**	**(20,344)**

41. EVENTS AFTER THE REPORTING PERIOD

On 24th March, 2022, the Company implemented capital reorganisation (the "2022 Capital Reorganisation"), which involved the following:

(i) every ten (10) issued shares were consolidated into one (1) consolidated share (the "2022 Share Consolidation");

(ii) following the 2022 Share Consolidation, the issued share capital of the Company was reduced by (a) rounding down the total number of consolidated shares to the nearest whole number (if necessary); and (b) cancelling the paid up capital of the Company to the extent of HK$0.09 on each of the then issued consolidated shares such that the par value of each issued consolidated share was reduced from HK$0.10 to HK$0.01 (the "2022 Capital Reduction"); and

(iii) immediately following the 2022 Capital Reduction, all the credits arising from the capital reduction was transferred to the capital reserve of the Company.

As at 24th March, 2022, the Company have 290,110,400 consolidated shares in issue and a credit of approximately HK$26,109,936 arising from the 2022 Capital Reduction has been transferred to the capital reserve of the Company.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2021	2020	2019	2018	2017
	HK$	HK$	HK$	HK$	HK$
Turnover	**235,068**	254,636	289,615	309,246	275,493
Loss for the year	**(80,270)**	(40,584)	(67,138)	(37,934)	(35,351)

	As at 31st December,				
	2021	2020	2019	2018	2017
	HK$	HK$	HK$	HK$	HK$
Total assets	**324,692**	458,535	585,460	395,481	403,378
Total liabilities	**(310,897)**	(367,620)	(468,738)	(208,664)	(168,811)
	13,795	90,915	116,722	186,817	234,567
Attributable to:					
Owners of the Company	**10,632**	87,752	113,559	181,654	219,644
Non-controlling interests	**3,163**	3,163	3,163	5,163	14,923
	13,795	90,915	116,722	186,817	234,567