DAIDO

Stock Code 股份代號：00544

Interim Report | 中期報告

2018

DAIDO GROUP LIMITED

大同集團有限公司

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan

Non-executive Director

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. Choy Kai Sing

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. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

OVERALL RESULTS

For the six months ended 30th June 2018, the Group's total revenue amounted to approximately HK$144 million, representing an increase of about 9.9%, compared to approximately HK$131 million from the same period last year.

During the current interim period, the Group recorded a loss of approximately HK$17.1 million, compared to a loss of approximately HK$17.8 million incurred in 2017. The losses during this period are attributable to the continue loss in the Group's cold storage business and trading of food and beverage business during the first half.

The Group believes that the losses are principally due to slower customer demand for cold storage facilities, owing to short-term market changes. Several strategies have been implemented to facilitate recovery of growth. Stronger demand for cold-storage facilities are anticipated in the second half of this year, and with it, a better performance of the Group in this industry.

REVIEW OF OPERATING SEGMENTS

The Group is principally engaged in cold storage and related business in Hong Kong; trading of food and beverage business in the PRC; provision of money lending business in Hong Kong and investment holding.

Cold storage and related business

Cold storage

Cold chain warehousing is a core business of the Group and its main income contributor. During the interim period, the segment saw signs of business recovery following the Brazilian meat scandal and other temporary market changes of last year. Despite the higher occupancy level, inventory volume and turnover recorded, the Group's cold storage and related businesses still underperformed during this period, compared to its continually robust performance and over occupancy recorded in 2015/2016.

Although the rental rates of its warehousing facilities have been raised, the income generated during the first six months this year was inadequate to cover the business losses due to a decline in customer demand. However, with market demand expected to rebound during the second half, the Group foresees an increase in the business and income of this segment over the upcoming months.

REVIEW OF OPERATING SEGMENTS (continued)

Cold storage and related business (continued)

Logistics

This segment was established to primarily serve the needs of its warehousing clients. For optimal use of its transportation fleet and other resources, it has also started serving other customers.

With the decline in the Group's warehousing business, the demand for its logistics services also slowed down correspondingly during the interim period. As a counter measure, the Group has taken proactive efforts to strengthen its relationship with customers and explore the possibilities of providing them with more related services and upgrading its delivery fleet.

Industrial ice bars (for construction use)

The macro environment for the industrial ice business remained challenging. Keen competition from other suppliers continued to dampen demand for the Group's ice bar products during the first two quarters of this year, while making it more difficult for it to find new business sources.

Fortunately, the segment contributions to the Group's revenue are minimal. In addition, the manufacturing process of industrial ice creates humidity inside the factory environment, thus raising the repair and maintenance cost of its production facilities significantly. In view of the low returns and higher costs from this segment, the Group has decided to focus resources on developing its warehousing operations as a business priority.

Trading of food and beverage business

The Group has expanded the range of food products it distributed to supermarkets and convenient stores in the PRC. Despite the increase in business volume and revenue, its marginal profit did not improve due to higher operational costs. Moreover, this is a relatively new segment whose business fundaments are not fully developed yet. Hence, it has not achieved on-target earnings.

Money lending business

The Group's money lending business recorded a stable growth over last year, with increased income generated.

Recognising the potential of this segment, the Group has identified alternative sources of funding and money lending opportunities in order to accelerate its further growth and profitability.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Hong Kong's dependence on trade makes it vulnerable to escalating US–PRC trade disputes, combined with a slowing PRC economy. According to the HKSAR government, about 17% or HK$60 billion worth of Chinese exports in question pass through Hong Kong to the US and about 9% or HK$6 billion of US exports came through on the way to PRC, both accounting for 1.4% of Hong Kong's overall trade combined.

With the Hong Kong and mainland Chinese economies likely to shift into lower gear in the third and fourth quarters of 2018, the Group has taken a prudent approach to managing its diversified operations, emphasising financial discipline in relation to cost control and increasing the efficiency and productivity of its business endeavours.

The Group will plough back earnings and profits to its cold-chain operations, with a view of upgrading its storage infrastructure to retain existing customers and attract new clients. This is because cold storage warehousing is the Group's core segment and generates a stable income.

As the leases of its two cold-storage warehouses are due to expire in February 2019, the Group is carrying out negotiations with the building owners for their renewal. Yet, we are also looking into other warehousing options as a backup plan. Under any circumstances, the Group will strive to ensure minimal disruptions to its clients and business operations.

Cold storage and related services

Cold storage and logistics

The Group accords top priority to developing its cold-storage warehousing operations, which is both its core business and stable income source.

We are developing our customer portfolio for this segment, from premium restaurants serving a high-end clientele to the fast food chains that cater to the masses. The rationale of this diversification strategy is to spread our business risks in order to achieve sustainable growth. Another strategy of the Group is to identify and attract potential customers with a high inventory turnover.

PROSPECTS (continued)

Cold storage and related services (continued)

Cold storage and logistics (continued)

Although the Group's warehousing business underperformed during the period of review, the segment has demonstrated signs of gradual recovery and is expected to record an improved performance during the second half with the improvement in demand. Barring the worsening of macro-economy, we are even more optimistic toward our warehousing business in the longer term, given the increased inventory orders received from our customers and a quality mechanism implemented by the Brazilian market to safeguard safety of its meat exports to regain the confidence of distributors and retailers from Hong Kong and elsewhere.

Our warehousing business is faced with an operational uncertainty as the lease agreement of its two cold-storage warehouses will be expiring in the first quarter of 2019. Negotiations are underway for their renewal but the Group is exploring other options as well. During this transition period, customers' hesitation in placing inventory orders with the Group in view of this uncertain factor may affect its income.

To mitigate the possible income uncertainties, the Group is strengthening its relationship with customers and gaining a deeper understanding of their needs in order to tailor diversified cold-storage warehousing solutions according to the scale, budget and inventory volume of the different clients. Special incentives will be offered to loyal customers for their unwavering support to the Group despite the uncertainty of its warehousing lease agreements.

To further develop its logistics business and drive its growth, the Group will reinforce its communication with its logistics partner and jointly look into the possibilities of providing enhanced services by installing advanced storage facilities and additional equipment for its transportation fleet.

PROSPECTS (continued)

Cold storage and related services (continued)

Industrial ice bars (for construction use)

Continually rising operational costs, coupled with keen competition from new entrants to the industry, are the major challenges faced by this segment.

Generally, the industrial ice bars business is characterised by low efficiency and high costs. The massive scale of water consumption in the manufacturing process heightens the humidity level in the factory environment. This is detrimental to the machineries and equipment, escalating the frequency and costs of their repair and maintenance. Relative to the high operational costs involved, the segment's contributions to the Group's revenue are disproportionately now.

To address this situation, the Group will focus its resources and efforts in developing its core business in cold-storage warehousing, which yields a far more stable income.

Trading of food and beverage business

The Group distributes a wide variety of dairy products, beverages and Korean-style snacks to its growing network of supermarkets and convenience stores in the PRC market. During the interim period, this portfolio of products has been broadened to include luncheon meat, ham and milk imported from Australia and New Zealand. Although the business volume has gone up, the income generated from this segment has been inadequate to cover the fast-rising operational costs. To overcome this challenge, the Group will focus on cost control, while continuing to strengthen its operational efficiency and financial performance to profit from the vast consumer market of PRC.

Money lending business

Recognising the segment's potential for profitability, the Group has taken every opportunity to make further inroads into the lucrative money-lending market. Through aggressive marketing and other business development initiatives, the Group is raising its visibility and expanding beyond its existing customer base to attract new clients from various other sectors.

Complying with the tight regulations of money-lending activities in Hong Kong, we will further strengthen our credit control measures to achieve a better balance between risk management and profitability.

EMPLOYMENT AND REMUNERATION POLICY

As at 30th June, 2018, the total number of full time employees of the Group in Hong Kong and mainland China were approximately 240 and 80 respectively (31st December, 2017: approximately 240 Hong Kong employees; 70 mainland China employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30th June, 2018, the Group had cash and bank balances of approximately HK$45.2 million (31st December, 2017: approximately HK$94.8 million), which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("USD") as to 86.7%, 9% and 4.3%, respectively. The decrease was mainly due to increase in loan receivables.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 49.4% as at 30th June, 2018 (31st December, 2017: approximately 45.7%). The increase of the gearing ratio was insignificant.

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 30th June, 2018, 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, 2017.

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

Treasury policies

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

FINANCIAL REVIEW (continued)

Exposure to fluctuations in exchange rates and related hedges

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

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

Share capital structure

As at 30th June, 2018, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2017.

Material acquisitions and disposals of subsidiaries and associates

During the current interim period, the Group did not have any material acquisitions and disposals of subsidiaries and associates (31st December, 2017: Nil).

Charges on assets

As at 30th June, 2018, banking facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3.5 million (31st December, 2017: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (31st December, 2017: HK$3.5 million). The amount utilised at 30th June, 2018 was approximately HK$3.5 million (31st December, 2017: approximately HK$3.5 million).

As at 30th June, 2018, bank deposits of approximately HK$99.5 million (31st December, 2017: approximately HK$99.5 million) are pledged to a bank, which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, the Group's obligations under finance leases were secured by the lessors' charge over the leased assets with carrying value of approximately HK$1.3 million (31st December, 2017: approximately HK$2.1 million).

FINANCIAL REVIEW (continued)

Future plans for material investments or capital assets

Guided by the principle of profitability improvement, the Group will continue to invest in its core business segment of cold-chain warehousing, particularly with regard to its storage infrastructure and facilities in order to attract new customers and retain existing ones.

The lease agreements of our two cold-storage warehouses are due to expire in February 2019. To control the uncertainty, the Group has been carrying out negotiation for their renewal on one hand, while on the other, seek other warehousing options as part of a backup plan. We will strive to ensure minimal disruptions to our clients and normal operations.

To strengthen the competitive edge of its logistics business, the Group is considering installing more sophisticated storage facilities and new equipment for its fleet of delivery vehicles with the aim of meeting the diverse needs of a broader customer base.

The Group has been reviewing the strengths and weakness of each business segment it operates, together with their profit potential, and has decided to devote more resources to those that yield high and stable revenue contributions.

Contingent liabilities

During the current interim period, the Group did not have any contingent liabilities (31st December, 2017: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	NOTES	**Six months ended 30.6.2018 HK$'000 (unaudited)**	Six months ended 30.6.2017 HK$'000 (unaudited)
Revenue			
– Cold storage and related services		**105,283**	100,683
– Trading of food and beverage		**33,931**	27,282
– Loan interest income		**4,590**	2,858
Total revenue	*3*	**143,804**	130,823
Direct costs		**(128,114)**	(118,918)
Gross profit		**15,690**	11,905
Other income	*4*	**884**	615
Selling and distribution expenses		**(7,427)**	(5,520)
Administrative expenses		**(22,769)**	(21,885)
Other gains and losses	*5*	**(440)**	115
Finance costs	*6*	**(3,012)**	(3,049)
Loss before tax		**(17,074)**	(17,819)
Taxation	*7*	**–**	–
Loss for the period	*8*	**(17,074)**	(17,819)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(330)**	(152)
Total comprehensive expense for the period		**(17,404)**	(17,971)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	NOTES	**Six months ended 30.6.2018 HK$'000 (unaudited)**	Six months ended 30.6.2017 HK$'000 (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(17,074)**	(17,819)
Non-controlling interests		**–**	–
		(17,074)	(17,819)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(17,404)**	(17,971)
Non-controlling interests		**–**	–
		(17,404)	(17,971)
Loss per share – basic	*10*	**HK(0.70) cent**	HK(0.73) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	**30.6.2018 HK$'000 (unaudited)**	31.12.2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**6,083**	7,578
Goodwill		**68**	68
Available-for-sale investment	*12*	**–**	38,502
Equity instrument at fair value through other comprehensive income ("FVTOCI")	*12*	**–**	–
Financial assets at fair value through profit or loss ("FVTPL")		**830**	–
Rental deposits paid		**25,059**	25,038
Pledged bank deposits		**102,975**	102,975
Loan receivables	*13*	**12,135**	12,262
		147,150	186,423
CURRENT ASSETS			
Inventories		**647**	693
Trade and other receivables, deposits and prepayments	*14*	**71,757**	59,490
Loan receivables	*13*	**76,191**	51,318
Amount due from non-controlling interests of a subsidiary		**–**	9,760
Held for trading investments		**–**	902
Bank balances and cash		**45,167**	94,792
		193,762	216,955

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	**30.6.2018 HK$'000 (unaudited)**	31.12.2017 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*15*	**24,691**	28,884
Contract liabilities		**7,835**	–
Amount due to an investee		**–**	39,042
Obligations under finance leases		**253**	594
		32,779	68,520
NET CURRENT ASSETS		**160,983**	148,435
TOTAL ASSETS LESS CURRENT LIABILITIES		**308,133**	334,858
CAPITAL AND RESERVES			
Share capital	*16*	**24,323**	24,323
Share premium and reserves		**178,457**	195,321
Equity attributable to owners of the Company		**202,780**	219,644
Non-controlling interests		**5,163**	14,923
		207,943	234,567
NON-CURRENT LIABILITIES			
Obligations under finance leases		**190**	291
Bonds	*17*	**100,000**	100,000
		100,190	100,291
		308,133	334,858

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(Note)*	FVTOCI reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2017 (audited)	24,323	374,226	39,984	–	(1,260)	(182,659)	254,614	14,923	269,537
Loss for the period	–	–	–	–	–	(17,819)	(17,819)	–	(17,819)
Exchange differences arising on translation	–	–	–	–	(152)	–	(152)	–	(152)
Total comprehensive expense for the period	–	–	–	–	(152)	(17,819)	(17,971)	–	(17,971)
At 30th June, 2017 (unaudited)	24,323	374,226	39,984	–	(1,412)	(200,478)	236,643	14,923	251,566
At 1st January, 2018 (audited)	**24,323**	**374,226**	**39,984**	**–**	**(879)**	**(218,010)**	**219,644**	**14,923**	**234,567**
Adjustment (note 2)	**–**	**–**	**–**	**540**	**–**	**–**	**540**	**–**	**540**
At 1st January, 2018 (restated)	**24,323**	**374,226**	**39,984**	**540**	**(879)**	**(218,010)**	**220,184**	**14,923**	**235,107**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(17,074)**	**(17,074)**	**–**	**(17,074)**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**(330)**	**–**	**(330)**	**–**	**(330)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**(330)**	**(17,074)**	**(17,404)**	**–**	**(17,404)**
Distribution to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,760)**	**(9,760)**
At 30th June, 2018 (unaudited)	**24,323**	**374,226**	**39,984**	**540**	**(1,209)**	**(235,084)**	**202,780**	**5,163**	**207,943**

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 "Share Consolidation"). After completion of Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "Capital Reduction"). The credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(44,471)**	(31,980)
NET CASH USED IN INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,334)**	(254)
Placement of pledged bank deposits	**–**	(12,970)
Interest received	**511**	443
Proceeds on disposal of property, plant and equipment	**53**	–
	(770)	(12,781)
CASH USED IN FINANCING ACTIVITIES		
Payment of obligations under finance leases	**(442)**	(979)
Interest paid	**(3,612)**	(3,649)
	(4,054)	(4,628)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(49,295)**	(49,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**94,792**	156,060
Effect of foreign exchange rate changes	**(330)**	(152)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**45,167**	106,519

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of new and amendments to HKFRSs (continued)

The new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards which result in changes in accounting policies and amounts reported as described below.

Except as described below, application of other amendments to HKFRS and the interpretation in the current period has had no material impact on the Group's financial performance and positions for the current and prior period and/or disclosures set out in these condensed financial statements.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1st January, 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, 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 and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

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 and 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.

The Group recognises revenue under HKFRS 15 from the following major sources:

- Cold storage
- Loading and handling services
- Logistic and packing services
- Manufacturing and trading of ice
- Trading of food and beverage

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

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 cold storage service, loading and handling services and logistic and packing 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 input method.

For manufacturing and trading of ice as well as 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.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

	31.12.2017 HK$'000	Adjustment HK$'000	1.1.2018 HK$'000
Current liabilities			
Trade and other payables	28,884	(6,932)	21,952
Contract liabilities	–	6,932	6,932

At the date of initial application on 1st January, 2018, included in the total trade and other payables was an amount of HK$6,932,000 related to advance billings to customers for cold storage services. This balance is reclassified to contract liabilities upon application of HKFRS 15.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (continued)

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30th June, 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported HK$'000	Adjustment HK$'000	Amounts without application of HKFRS 15 HK$'000
Current liabilities			
Trade and other payables	24,691	7,835	32,526
Contract liabilities	7,835	(7,835)	–

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39").

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

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

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI 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/will continue to be held in the FVTOCI reserve.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Equity instruments designated as at FVTOCI (continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, 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.

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 includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date. The results of the assessment and impact are set out below.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL (continued)

	Balance at 31.12.2017 under HKAS 39 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	Balance at 1.1.2018 HK$'000
Available-for-sale investment				
– HKAS 39 *(Note 1)*	38,502	(38,502)	–	–
Equity instrument at FVTOCI				
– HKFRS 9 *(Note 1)*	–	38,502	540	39,042
FVTOCI reserve				
– HKFRS 9 *(Note 1)*	–	–	540	540
Held for trading investments				
– HKAS 39 *(Note 2)*	902	(902)	–	–
Financial assets at FVTPL				
– HKFRS 9 *(Note 2)*	–	902	–	902

Notes:

1. The Group elected to present in OCI for the fair value changes of its equity investment previously classified as available-for-sale of HK$38,502,000, being unquoted equity investment previously measured at cost less impairment under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, such investment was reclassified from available-for-sale investment to equity instrument at FVTOCI. The fair value gain of HK$540,000 relating to this investment previously carried at cost less impairment was adjusted to equity investment at FVTOCI and FVTOCI reserve at 1st January, 2018.

2. At the date of initial application, the investments previously classified as held for trading investments would not meet the definition of held for trading and are reclassified as financial assets at FVTPL accordingly.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, pledged bank deposits and bank balances). 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 without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and collectively for the remaining trade debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

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;

- 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (continued)

Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

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 adjusted by forward-looking information.

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

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 amount, with the exception of trade and other receivables, and loan receivables, where the corresponding adjustment is recognised through a loss allowance account.

For trade receivables, the Group applies simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected losses for all trade receivables. For loan and other receivables, the Group measures the loss allowance equal to 12m ECL. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and concluded that the application does not result in any financial impact to the condensed consolidated financial statements.

3A. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation or assessment of segment performance focuses on types of services delivered or provided. No operating segment 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 People's Republic of China (the "PRC") ("Trading of food and beverage")

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

3A. SEGMENT INFORMATION (continued)

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

Six months ended 30.6.2018 (unaudited)

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	**105,283**	**33,931**	**4,590**	**143,804**
Segment (loss) profit	**(5,379)**	**(6,522)**	**1,588**	**(10,313)**
Unallocated income				**884**
Unallocated expenses				**(4,561)**
Change in fair value of financial assets at FVTPL				**(72)**
Finance costs				**(3,012)**
Loss before tax				**(17,074)**

3A. SEGMENT INFORMATION (continued)

Six months ended 30.6.2017 (unaudited)

	Cold storage and related services HK$'000	Trading of food and beverage HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	100,683	27,282	2,858	130,823
Segment (loss) profit	(5,829)	(4,510)	830	(9,509)
Unallocated income				615
Unallocated expenses				(5,993)
Change in fair value of held for trading investments				117
Finance costs				(3,049)
Loss before tax				(17,819)

Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administration costs including partly auditor's remuneration and directors' remuneration, change in fair value of financial assets at FVTPL and finance costs. This is the measure reported to the chief operating decision makers and the executive directors, for the purposes of resource allocation and performance assessment.

3A. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
SEGMENT ASSETS		
Cold storage and related services	**85,518**	77,071
Trading of food and beverage	**15,871**	12,985
Money lending services	**88,409**	63,661
Total segment assets	**189,798**	153,717
Unallocated assets	**151,114**	249,661
Consolidated assets	**340,912**	403,378
SEGMENT LIABILITIES		
Cold storage and related services	**19,084**	16,457
Trading of food and beverage	**9,479**	8,022
Money lending services	**88,917**	65,796
Total segment liabilities	**117,480**	90,275
Unallocated liabilities	**15,489**	78,536
Consolidated liabilities	**132,969**	168,811

3B. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	For the six months ended 30th June, 2018	
	Cold storage and related services segment HK$'000	Trading of food and beverage segment HK$'000
Types of goods or services		
Revenue from cold storage and related services		
Cold storage	80,149	–
Loading and handling services	4,282	–
Logistic and packing services	20,682	–
Manufacturing and trading of ice	170	–
	105,283	–
Revenue from trading of food and beverage	–	33,931
Total	105,283	33,931
Geographical markets		
Mainland China	–	33,915
Hong Kong	105,283	16
Total	105,283	33,931
Timing of revenue recognition		
A point in time	170	33,931
Over time	105,113	–
Total	105,283	33,931

4. OTHER INCOME

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Bank interest income	**511**	443
Sundry income	**373**	172
	884	615

5. OTHER GAINS AND LOSSES

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Change in fair value of financial assets at FVTPL and held for trading investments	**(72)**	117
Gain (loss) on disposals of property, plant and equipment	**52**	(2)
Impairment loss on property, plant and equipment	**(420)**	–
	(440)	115

6. FINANCE COSTS

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Interest on obligations under finance leases	**12**	49
Interest on bonds	**3,000**	3,000
	3,012	3,049

7. TAXATION

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

PRC Enterprise Income Tax ("EIT") is calculated at the applicable tax rate of 25%.

No provision for Hong Kong Profits Tax and EIT is required as the individual companies comprising the Group either incurred a loss or had tax losses offset the assessable profits.

8. LOSS FOR THE PERIOD

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Loss for the period has been arrived at after charging the following items:		
Depreciation of property, plant and equipment	**2,408**	2,427
Net foreign exchange loss	**124**	65

9. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. LOSS PER SHARE

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

	Six months ended 30.6.2018 HK$'000 (unaudited)	Six months ended 30.6.2017 HK$'000 (unaudited)
Loss for the purpose of basic loss per share, attributable to owners of the Company	**(17,074)**	(17,819)

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,432,304**	2,432,304

No dilutive loss per share is presented as there were no potential ordinary shares in issue for the periods ended 30th June, 2018 and 2017.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group purchased approximately HK$1,334,000 (six months ended 30th June, 2017: HK$254,000) on additions of property, plant and equipment.

The directors conducted a review of the Group's property, plant and equipment, and determined that the recoverable amount of certain assets under trading of food and beverage segment was minimal. Full impairment loss in respect of these assets of HK$420,000 has been recognised in profit or loss for the six months ended 30th June, 2018 (six months ended 30th June, 2017: nil).

12. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Equity instrument at FVTOCI	–	N/A
Available-for-sale investment at cost		
Unlisted shares		149,120
Less: Impairment	**N/A**	(110,618)
		38,502

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"). 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.

The equity instrument at FVTOCI (31.12.2017: available-for-sale investment) represents an effective 6% equity interest in an unlisted company incorporated in Macau, Great China Company Limited ("Great China"), which is an investment indirectly held by Richbo.

During the six months ended 30th June, 2018, the Group recovered investment cost in Richbo through a return of capital from Richbo of HK$39,042,000. The amount was settled through the then outstanding amount due to the investee of the same amount.

At 30th June, 2018, the equity instrument in Richbo is measured at fair value. Since Richbo remains inactive as at 30th June, 2018, the management considers that the fair value of the equity instrument is minimal.

13. LOAN RECEIVABLES

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
Secured loans	**67,222**	36,227
Unsecured loans	**21,104**	27,353
	88,326	63,580
Less: Amount due within one year and classified under current assets	**(76,191)**	(51,318)
Amount due after one year	**12,135**	12,262

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK$67,222,000 (31.12.2017: HK$36,227,000). The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. The remaining loan receivables are unsecured.

Secured loan receivables carry fixed-rate interests ranging from 11% to 15% (31.12.2017: at 11% to 15%) per annum and with maturity ranging from 6 months to 3 years (31.12.2017: 1 year to 3 years). Unsecured loan receivables carry fixed-rate interests ranging from 11% to 12% (31.12.2017: 11% to 12%) per annum and with maturity ranging from 6 months to 3 years (31.12.2017: 6 months to 3 years). All amounts of principal are expected to be received on respective maturity dates.

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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.

Included in trade and other receivables are trade receivables, net of allowance for doubtful debts, of HK$64,600,000 (31.12.2017: HK$53,018,000).

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

The following is an analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates, which approximate the respective revenue recognition dates.

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
0–30 days	**26,058**	23,374
31–60 days	**19,108**	16,944
61–90 days	**8,089**	7,052
91–120 days	**5,588**	2,671
More than 120 days	**5,757**	2,977
	64,600	53,018

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$12,033,000 (31.12.2017: HK$9,056,000).

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

	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
0–30 days	**6,951**	5,862
31–60 days	**2,987**	1,932
61–90 days	**586**	292
91–120 days	**779**	14
More than 120 days	**730**	956
	12,033	9,056

16. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	’000	HK$’000	’000	HK$’000
Ordinary shares of HK$0.01 each				
At 1st January, 2017, 30th June, 2017, 31st December, 2017 and 30th June, 2018	60,000,000	600,000	2,432,304	24,323

17. BONDS

The bonds bear interest at 6% per annum and payable annually in arrears, up to the maturity date of the relevant bonds. The maturity dates are the seventh anniversary of the dates of issue of the relevant bonds ranging from November 2021 to May 2022.

18. PLEDGE OF ASSETS

As at 30th June, 2018, banking facilities for providing guarantees by a bank for the Group’s operation of cold storage service, to the extent of HK$3,500,000 (31.12.2017: HK$3,500,000) were secured by bank deposits amounting to HK$3,500,000 (31.12.2017: HK$3,500,000). The amount of guarantee issued at 30th June, 2018 was HK$3,480,000 (31.12.2017: HK$3,480,000).

As at 30th June, 2018, bank deposits of HK$99,475,000 (31.12.2017: HK$99,475,000) are pledged to a bank, which provides bank guarantees in favour of two landlords for a sum equivalent to twelve months’ rent payable by the Group under tenancy agreements.

In addition, the Group’s obligation under the finance leases are secured by the lessor’s charge over the leased assets amounted to HK$1,306,000 (31.12.2017: HK$2,107,000).

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value hierarchy	**30.6.2018 HK$'000 (unaudited)**	31.12.2017 HK$'000 (audited)
Financial assets at FVTPL/ held-for-trading investments			
Equity securities listed in Hong Kong *(Note 1)*	Level 1	**830**	902
Equity instrument at FVTOCI			
Unlisted equity instrument *(Note 2)*	Level 3	**–**	N/A

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Notes:

1. The fair value of listed equity securities is determined with reference to quoted market bid prices from the stock exchange.

2. Richbo and Great China were inactive as at 30th June, 2018. The directors of the Company considered that the fair value of the investment is minimal.

Reconciliation of Level 3 fair value measurements of equity instrument at FVTOCI

	HK$'000
At 1st January, 2018	39,042
Less: Return of capital from the investee	(39,042)
At 30th June, 2018	–

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

20. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30th June, 2018:

(1) return of capital of HK$39,042,000 from the investee classified as equity instrument at FVTOCL was settled through the then outstanding amount due to the investee of the same amount.

(2) a subsidiary of the Company made a distribution of HK$9,760,000 to a non-controlling interest. The amount was settled through the then outstanding amount due from the non-controlling interest of the same amount.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF DAIDO GROUP LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 11 to 45, which comprise the condensed consolidated statement of financial position as of 30th June, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th August, 2018

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors

As at 30th June, 2018, none of the Company's Directors or chief executives of the Company nor their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to notify the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Interests of Substantial Shareholders

As at 30th June, 2018, save as disclosed below, so far as is known to the Company's Directors and chief executives of the Company, no person (other than the Company's Director or a chief executive of the Company) had an interest or short position in any shares or underlying shares of the Company which will fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO and no person (other than the Company's Director or a chief executive of the Company), had an interest or short position in any shares or underlying shares of the Company, who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

DISCLOSURE OF INTERESTS (continued)

Interests of Substantial Shareholders (continued)

Long positions of the substantial shareholder in the shares of the Company:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited *(Note 1)*	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing *(Note 1)*	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited *(Note 2)*	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited *(Note 2)*	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan *(Note 2)*	Interest of controlled corporation	140,000,000	5.76%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an Executive Director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in the 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Share Option Scheme

At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the adoption of a new share option scheme (the "2015 Scheme") and the termination of the share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). The 2015 Scheme became effective on 2nd June, 2015 (the "Adoption Date") and, unless otherwise terminated earlier by shareholders at a general meeting, will remain in force for a period of 10 years from the Adoption Date. Since the Adoption Date, the Board may, at its discretion, grant share options to any eligible participants to subscribe for the shares in the Company subject to the terms and conditions as stipulated in the 2015 Scheme.

DISCLOSURE OF INTERESTS (continued)

Share Option Scheme (continued)

No share option was outstanding as at 1st January, 2018 and 30th June, 2018 and no share option was granted under the 2015 Scheme during the period since adoption.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2018.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

For the first half of 2018, the Board of the Directors is of the view that the Company has complied with the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save for the exceptions specified and explained below:

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period, there have been no Chairman in the Company. Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters.

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

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

CORPORATE GOVERNANCE (continued)

Model Code for Securities Transactions by Directors

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

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

Audit Committee

The Audit Committee has reviewed with the Management the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters including a review of the unaudited interim financial information for the six months ended 30th June, 2018 with the Directors. At the request of Audit Committee, the Group's external auditors have carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

CORPORATE GOVERNANCE (continued)

Risk Management and Internal Control

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

The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the RM and IC Systems, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of the key operating subsidiaries. The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the 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 appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Advisor is in the process on carrying out appraisal as of the report date.

During the period, the Audit Committee, with the assistance of the Internal Control Adviser, has developed current year RM and IC systems appraisal plan, and will focus on reviewing (i) the compliance risk management control of the Group; (ii) the financial reporting and disclosure control of the Group; and (iii) the operating controls of the trading of food and beverage business, including human resources cycle, payroll cycle and expenditure cycle.

During the six months ended 30th June, 2018, 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.