

未來發展控股有限公司 Future Development Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1259



INTERIM REPORT 2019





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tsai Wallen (*Chairman*)

Mr. Chau Ling (*Chief Executive Officer*)

Mr. Lau Ka Ho

(*Chief Financial Officer*) (*Appointed on 24 May 2019*)

Non-executive Director

Mr. Li Zhouxin

Independent Non-executive Directors

Ms. Chan Sze Man

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

Nomination Committee

Ms. Chan Sze Man (*Chairman*)

Mr. Ma Kwun Yung Stephen (*Resigned on 24 May 2019*)

Ms. Bu Yanan

Mr. Lau Ka Ho (*Appointed on 24 May 2019*)

Remuneration Committee

Mr. Ma Kwun Yung Stephen (*Chairman*)

Mr. Chau Ling

Ms. Chan Sze Man

Executive Committee

Mr. Tsai Wallen (*Chairman*) (*Appointed on 24 May 2019*)

Mr. Chau Ling (*Appointed on 24 May 2019*)

Mr. Lau Ka Ho (*Appointed on 24 May 2019*)

COMPANY SECRETARY

Mr. Leung Louis Ho Ming (*Resigned on 24 May 2019*)

Mr. Lau Ka Ho (*Appointed on 24 May 2019*)

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch

Bank of Communications (Hong Kong) Limited

STOCK CODE

1259

COMPANY WEBSITE

www.princefrog.com.cn

REGISTERED OFFICE

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Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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No. 8, North Wuqiao Road

Lantian Economic Development Zone

Zhangzhou City, Fujian Province

The People's Republic of China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2005-2006, Kinwick Centre,

32 Hollywood Road, Central,

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House – 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman, KY-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited

Suites 3301-04, 33/F.,

Two Chinachem Exchange Square,

338 King's Road,

North Point, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW

The principal activity of Future Development Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of online platform, trading of commodities, investment in securities, properties holding and investment holding and the provision of food and beverage services.

Personal Care Products

During the Reporting Period, the Group’s business segment of personal care products contributed a total revenue of approximately RMB164.6 million, representing an increase of about 7.0% over the same period of last year (30 June 2018: RMB153.9 million). The personal care products business recorded a loss of approximately RMB38.7 million during the Reporting Period as compared with loss of approximately RMB30.8 million for the period ended 30 June 2018.

The continued loss was primarily due to the decrease in the gross profit margin of personal care products segment amid the slowdown of economy in the People’s Republic of China (the “**PRC**”) and the change in consumers’ consumption habits to electronic commerce.

Money Lending Business

During the Reporting Period, the Group’s business segment of money lending contributed a total revenue of approximately RMB18.0 million, representing an increase of about 8.2% over the same period of last year (30 June 2018: RMB16.6 million) and recorded a segment profit of approximately RMB1.5 million during the Reporting Period, representing decrease of about 66.6% over the same period of last year (30 June 2018: RMB4.4 million).

As at 30 June 2019, the Group has outstanding (i) unsecured loan of approximately RMB63.1 million with average effective interest rate of approximately 37.8% per annum with terms ranging from 1 month to 120 months; and (ii) mortgage loan of approximately RMB106.1 million with average effective interest rate of approximately 17.3% per annum with terms ranging from 1 month to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

Operation of Online Platform

During the Reporting Period, the Group’s business segment of operation of online platform contributed a total revenue of approximately RMB5.2 million to the Group, representing a decrease of about 40.9% over the same period of last year (30 June 2018: RMB8.8 million), and recorded a profit of approximately RMB2.2 million, representing a decrease of about 65.4% over the same period of last year (30 June 2018: RMB6.4 million).

Trading of Commodities

During the Reporting Period, the Group’s business segment of trading of commodities contributed a total revenue of approximately RMB71.3 million to the Group, representing a decrease of about 16.0% over the same period of last year (30 June 2018: RMB84.9 million). Sales of electronic products and other electronic components to the electronic product distributors and retailers in the PRC contributed approximately RMB71.3 million to the Group (30 June 2018: RMB75.9 million). No revenue from the trading of beverages, auto parts or other commodities were recorded during the Reporting Period (30 June 2018: RMB2.6 million, RMB2,000 and RMB6.4 million respectively).

Management Discussion and Analysis (continued)

During the Reporting Period, the Group's trading of commodities business recorded a loss of approximately RMB24.6 million (30 June 2018: loss of approximately RMB0.3 million).

Securities Investment

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes which classified as financial assets at fair value through other comprehensive income.

As at 30 June 2019, the Group had a portfolio of securities investment of approximately RMB12.1 million, all of which were equity securities listed in Hong Kong, and unlisted investment fund of approximately RMB23.5 million. During the Reporting Period, the Group recorded a net unrealised loss of approximately RMB38.9 million and a net realised loss of approximately RMB4.4 million (30 June 2018: RMB23.3 million and Nil respectively).

Details of the investments performance during the Reporting Period in respect of equity securities listed in Hong Kong and the unlisted fund held by the Group are as follows:

Name of the investments	% to the total assets of the Group as at 1 January 2019	% to the interest in the respective investments as at 1 January 2019	Movement for the period				Fair value as at 30 June 2019	% to the total assets of the Group as at 30 June 2019	% to the interest in the respective investments as at 30 June 2019	Realised gain/(loss) on investments
			Fair value as at 1 January 2019	Disposals	Change on fair value	Exchange realignment				
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%	%	RMB'000
Listed securities in Hong Kong										
International Entertainment Corporation (1009)	0.92	0.97	11,683	-	(115)	3	11,571	1.02	0.97	-
LEAP Holdings Group Limited (1499)	1.61	1.48	20,531	(20,220)	-	(311)	-	-	-	(6,158)
Singasia Holdings Limited (8293)	0.83	0.15	10,625	(10,464)	-	(161)	-	-	-	5,830
Champion Technology Holdings Limited (92)	0.28	2.41	3,623	(3,569)	-	(54)	-	-	-	(2,894)
Dingyi Group Investment Limited (508)	0.28	0.10	3,566	(3,512)	-	(54)	-	-	-	(1,317)
Gain Plus Holdings Limited (8522)	0.07	0.34	897	(584)	209	(6)	516	0.05	0.12	170
			50,925	(38,349)	94	(583)	12,087			(4,369)
Unlisted fund										
Head and shoulders Global investment Fund SFC	4.90	N/A	62,442	-	(39,034)	80	23,488	2.08	N/A	N/A
Total			113,367	(38,349)	(38,940)	(503)	35,575			(4,369)

The Group will continue to be cautious in making new investments and trading of financial assets under current economic environment amid the intensified conflicts in international trade and volatility in the stock markets and will strive to maintain and grow its portfolio value in future.

Management Discussion and Analysis (continued)

Properties Holding

The Group's business segment of properties holding business contributed a total revenue of approximately RMB0.2 million to the Group (30 June 2018: RMB1.9 million).

The properties holding business recorded a segment loss of approximately RMB0.3 million during the Reporting Period (30 June 2018: segment profit of approximately RMB0.4 million).

Provision of Food and Beverage Services

The Group's provision of food and beverage services business has recorded steady growth since its acquisition of Real Power International Group Limited in March 2019 and China Cold Chain Co. Limited in June 2019.

During the Reporting Period, the Group's business segment of provision of food and beverage services business contributed a total revenue of approximately RMB25.0 million to the Group (30 June 2018: Nil).

The provision of food and beverage services business recorded a segment loss of approximately RMB0.5 million during the Reporting Period (30 June 2018: Nil).

FINANCIAL REVIEW

Turnover

During the Reporting Period, the turnover of the Group was approximately RMB284.4 million, representing an increase of about 6.9% over the same period of last year (for the period ended 30 June 2018: RMB266.1 million).

The Group's business segment of personal care products contributed a total revenue of approximately RMB164.6 million, representing an increase of about 7.0% over the same period of last year (for the period ended 30 June 2018: RMB153.9 million).

The Group's business segment of money lending contributed a total revenue of approximately RMB18.0 million, representing an increase of about 8.2% over the same period of last year (for the period ended 30 June 2018: RMB16.6 million).

The Group's business segment of the operation of online platform contributed a total revenue of approximately RMB5.2 million, representing a decrease of about 40.9% over the same period of last year (for the period ended 30 June 2018: RMB8.8 million).

The Group's business segment of trading of commodities contributed a total revenue of approximately RMB71.3 million, representing a decrease of about 16.0% over the same period of last year (for the period ended 30 June 2018: RMB84.9 million).

Management Discussion and Analysis (continued)

The Group's business segment of properties holding contributed a total revenue of approximately RMB0.2 million to the Group, representing a decrease of about 86.5% over the same period of last year (for the period ended 30 June 2018: RMB1.9 million).

The Group's business segment of provision of food and beverage contributed a total revenue of approximately RMB25.0 million to the Group (for the period ended 30 June 2018: Nil).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB23.9 million, representing a decrease of about 60.4% as compared with RMB60.4 million for the period ended 30 June 2018.

During the Reporting Period, the gross profit margin decreased by around 14.3% over the same period of last year to about 8.4% (for the period ended 30 June 2018: 22.7%). The decrease in overall gross profit margin was primarily due to the lower gross profit margin for the personal care products business and gross loss for trading of commodities business.

The total gross profit for personal care products business was about RMB21.1 million for the Reporting Period, representing a decrease of about 35.8% as compared with about RMB32.8 million for the period ended 30 June 2018. Gross profit margin decreased to about 12.8%, representing a decrease of about 8.6% compared with the same period of last year. The decrease was mainly due to the slowdown of economy in the PRC and the change in consumers' consumption habits to electronic commerce.

The gross profit for money lending business for the Reporting Period was about RMB18.0 million (for the period ended 30 June 2018: RMB16.6 million).

The gross profit for operation of online platform business for the Reporting Period was about RMB5.2 million (for the period ended 30 June 2018: RMB8.1 million).

The gross loss for trading of commodities business for the Reporting Period was about RMB23.9 million (gross profit for the period ended 30 June 2018: RMB1.0 million).

The gross profit for properties holding business for the Reporting Period was about RMB0.2 million (for the period ended 30 June 2018: RMB1.9 million).

The gross profit for the provision of food and beverage services business for the reporting period was about RMB3.3 million (for the period ended 30 June 2018: Nil).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation costs and other expenses. Selling and distribution expenses amounted to approximately RMB25.2 million for the Reporting Period, representing a decrease of about 6.0% as compared with about RMB26.8 million for the period ended 30 June 2018.

Management Discussion and Analysis (continued)

The selling and distribution expenses accounted for about 8.9% of the revenue during the Reporting Period (for the period ended 30 June 2018: 10.1%), among which, advertising and promotion expenses, as a percentage of revenue, increased from 4.6% for the period ended 30 June 2018 to about 4.7% for Reporting Period. The transportation expenses and other expenses, as a percentage of revenue, decreased about 1.0% to about 4.2% for the Reporting Period as compared with the same period of 2018 (for the period ended 30 June 2018: 5.2%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, share option expenses and other expenses. Administrative expenses of the Group amounted to approximately RMB60.0 million for the Reporting Period (for the period ended 30 June 2018: RMB60.8 million), representing a decrease of about 1.3% over the same period of last year.

Administrative expenses accounted for about 21.1% of the Group's revenue for the Reporting Period (for the period ended 30 June 2018: 22.9%).

Finance Costs

The Group had finance costs of approximately RMB3.1 million for the Reporting Period (for the period ended 30 June 2018: RMB4.9 million).

Acquisition of Subsidiaries

On 1 March 2019, the Company as purchaser, and Pine Victory Limited ("**Pine Victory**"), a company incorporated in Hong Kong with limited liability, as vendor, entered into a sales and purchase agreement pursuant to which the vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 80% of the entire issued share capital of Real Power International Group Limited ("**Real Power**").

Real Power was incorporated in the British Virgin Islands with limited liability on 1 November 2018 and is an investment holding company. As at the date of this report, Real Power is interested in the entire issued share capital of Advance Global Food Limited ("**Advance Global**"), a company incorporated in Hong Kong with limited liability on 9 June 2017, and is primarily engaged in the trading of agriculture products in Hong Kong, i.e. frozen meats. The major products are frozen beef, pork and chicken related products.

Prior to completion of the said acquisition, the Company was interested 20% of the entire share capital of Real Power. The sale and purchase agreement was completed on 29 May 2019. The consideration of the said acquisition was HK\$42,000,000, of which HK\$22,000,000 was paid in cash and HK\$20,000,000 was settled by the Company allotting and issuing 200,000,000 consideration shares at the issue price of HK\$0.10 each. Following completion, Real Power and its subsidiaries become wholly-owned subsidiaries of the Company. For details of the said acquisition, please refer the announcements dated 1 March 2019, 29 May 2019 and circular dated 30 April 2019 made by the Company.

On 4 June 2019, Powerful Force Limited ("**Powerful Force**"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as purchaser, and the independent third parties, as vendors, entered into a sale and purchase agreement.

Management Discussion and Analysis (continued)

Pursuant to the sales and purchase agreement, the vendors have agreed to sell and Powerful Force has agreed to acquire the entire issued share capital of China Cold Chain Co. Limited (“**China Cold Chain**”). China Cold Chain is principally engaged in the provision of frozen warehouse services. The sale and purchase agreement was completed on 4 June 2019. The consideration of the said acquisition was HK\$800,000, which was paid in cash.

Disposal of Subsidiary

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited (青蛙王子(中國)日化有限公司) (“**Frog Prince (China)**”), a wholly-foreign-owned enterprise established in the PRC with limited liability as vendor, and 絲耐潔(福建)口腔健康科技有限公司 (Snagatr (Fujian) Oral Health Technology Co., Limited) (“**Snagatr**”), as purchaser, entered into a share transfer agreement. Pursuant to the agreement, Snagatr had agreed to acquire 80% equity interest in 福建愛潔麗日化有限公司 (Fujian Azalli Daily Chemicals Limited) (“**Fujian Azalli**”) at the consideration of RMB12.0 million. Following the completion of the abovementioned share transfer, the Fujian Azalli ceased to be a subsidiary of the Group and a loss on disposal of RMB9.0 million was recognised by the Group.

Net Loss and Net Loss Margin

For the Reporting Period, loss attributable to equity holders of the Company amounted to approximately RMB75.3 million as compared with loss attributable to equity holders of the Company of approximately RMB51.0 million for the period ended 30 June 2018. The net loss margin was about 26.5% as compared with about 19.2% of net loss margin for the period ended 30 June 2018, with basic loss per share of approximately RMB5.3 cents (basic loss per share for the period ended 30 June 2018: RMB4.4 cents).

Capital Expenditure

For the Reporting Period, the Group’s material capital expenditure amounted to approximately RMB6.8 million (31 December 2018: RMB11.0 million), mainly used for renovation of our plants, consolidation work of our plants and acquisition of new equipments.

Financial Resources and Liquidity

As at 30 June 2019, cash and cash equivalents of the Group amounted to approximately RMB194.3 million (31 December 2018: RMB218.9 million). The current ratio was 1.4 (31 December 2018: 1.4). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing money lending business; and secondly, pursuing of the potential opportunity for acquisition and other investment in a timely manner.

Fundraising Activities of the Group

In order to raise additional fund for enhancing the development of the money lending business, on 12 June 2018, the Company and Get Nice Securities Limited (“**Get Nice Securities**”) entered into the placing agreement pursuant to which the Company has conditionally agreed to place through Get Nice Securities on a best effort basis, up to 231,687,000 placing shares at a price of HK\$0.130 per placing share. Completion of the said placing took place on 27 June 2018 and 231,687,000 placing shares were successfully placed to not less than six independent third parties at the placing price of HK\$0.130 per placing share.

Management Discussion and Analysis (continued)

The net proceeds of the said placing, after deduction of the placing commission and related expenses, amounted to approximately HK\$29.6 million, which were fully utilised for the provision of loans to 65 individuals which, in aggregate, amount to approximately HK\$29.6 million under various terms ranging from 3 to 120 months with interest rate ranging from 12.4% to 58.0% per annum. Details of the said placing are set out in the Company's announcements dated 12 June 2018 and 27 June 2018.

On 18 June 2019, the Company entered into the placing agreement with Merdeka Capital Limited ("**Merdeka Capital**") pursuant to which Merdeka Capital has conditionally agreed, as agent of the Company, to procure on a best effort basis to not less than six places who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 220,000,000 placing shares at the placing price of HK\$0.136 per placing share. Completion of the said placing took place on 15 July 2019 and 220,000,000 placing shares were placed to not less than six places at the placing Price of HK\$0.136 per placing share.

The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the said placing, amounted to approximately HK\$29.3 million. As at 30 August 2019, the actual net proceeds was utilised as to HK\$3.5 million for the purchase of inventories, namely frozen pork, beef and chicken related products, in connection with the Group's food and beverage services business and the balance to be utilised as intended. Details of the said placing are set out in the Company's announcements dated 18 June 2019 and 15 July 2019.

Loan and Interest Receivables

As at 30 June 2019, the Group's loan and interest receivables were approximately RMB176.8 million (31 December 2018: RMB176.1 million). During the period, the Group had provided loans of approximately RMB19.5 million (31 December 2018: RMB95.6 million), with an average annual interest rate of approximately 41.6% (31 December 2018: 30.2%).

A provision for impairment loss on loan and interest receivables of approximately 5.0 million was made during the Reporting Period (30 June 2018: RMB0.5 million).

Trade and Bills Receivables

As at 30 June 2019, the Group's trade and bills receivables were approximately RMB96.5 million (31 December 2018: RMB82.2 million). The Group usually grants a credit period of 30 to 180 days to our customers. A provision for impairment loss or trade and bills receivable of approximately RMB4.5 million was practiced during the Reporting Period (30 June 2018: Nil).

Trade and Bills Payables

As at 30 June 2019, trade and bills payables were approximately RMB66.4 million (31 December 2018: RMB70.8 million). The Group settled its payables within 30 to 180 days in general and kept good payment records.

Management Discussion and Analysis (continued)

Inventories

As at 30 June 2019, inventories of the Group were approximately RMB44.5 million (31 December 2018: RMB102.2 million). As at 30 June 2019, the inventory balance decreased by about 56.5% over 31 December 2018.

Gearing Ratio

As at 30 June 2019, the current assets and total assets of the Group were approximately RMB516.5 million and RMB1,130.7 million respectively, the current liabilities and total liabilities of the Group were approximately RMB361.4 million and RMB376.6 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 33.3% (31 December 2018: 33.6%).

Bank and Other Borrowings

As at 30 June 2019,

- (i) the Group had bank borrowing of approximately RMB55.0 million (31 December 2018: RMB55.0 million). Facilities were provided to the Group with from banks in PRC with a guarantee from suppliers in the PRC;
- (ii) the Group had other secured borrowings of approximately RMB132.8 million (31 December 2018: RMB98.8 million); and
- (iii) the Group had other unsecured borrowings of approximately RMB10.0 million (31 December 2018: RMB20.0 million).

Pledge of Assets

As at 30 June 2019,

- (i) the Group had pledged deposits of RMB16.8 million (31 December 2018: RMB7.4 million) for short-term bank borrowings and bills payable;
- (ii) investment property of RMB83.5 million (31 December 2018: RMB83.4 million) was pledged for other borrowings; and
- (iii) certain shares of subsidiaries have been pledged for other borrowing (31 December 2018: certain shares of subsidiaries have been pledged for other borrowing).

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the interests of the shareholders (the "Shareholders") of the Company. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Management Discussion and Analysis (continued)

Risk of Foreign Exchange

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in Renminbi. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. In light of the slowdown of the economy in the PRC, the intensified conflicts in international trade and volatility in the stock markets, the Group will continue to adopt a prudent approach for the development of its businesses, including personal care business, money lending business, trading of commodities, securities investment, properties holding and investment holding and provision of food and beverage services.

Looking ahead, the Group expects the prospects for the Group's personal care business to be challenging amid the continued slowdown of the economy in the PRC and the shift of spending habit of the consumers to e-commerce. Further, the manufacturing industry in the PRC has generally been facing increasing labour cost and material cost. In order to cope with such challenges, the Group will strive to improve the responsiveness of its supply chain and enhance its product development capabilities.

The Group's money lending business has gradually expanded over time. Pursuant to the Group's prudent management approach, the Company does not intend to further expand its personal loans and mortgage loans portfolio in order to better manage its risks. Nevertheless, the Group is currently exploring potential opportunities to expand its money lending business through participation of financial leasing business in the PRC, which the Directors considered the risk involved to be lower.

Taking into account the volatile global economy and weak demand from customers, the Company anticipates that the operating environment for the Group's trading of commodities business will remain challenging. Hence, the Group will continue to adopt stringent cost control measures for this business segment.

The Group currently holds lands and properties located in Yuen Long, Hong Kong and an industrial property located at Cheung Sha Wan, Hong Kong. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. It is the current intention of the Company that the properties erected on all the lands in Yuen Long, Hong Kong held by the Group shall be demolished and such lands shall be redeveloped. Relevant applications have been made to the Hong Kong Government in relation to the redevelopment of the said lands. To the best knowledge, information and belief of the directors of the Company, there is no legal impediment in obtaining the relevant approval from the Hong Kong Government.

Management Discussion and Analysis (continued)

Following completion of the acquisition of food and beverage services business, the Group had recorded steady growth in the financial performance of this business segment. The Directors considers that the prospect of the food and beverage service industry in Hong Kong to remain promising. Further, the Group's provision of food and beverage services serves the local livelihood needs and is generally less reliant on the PRC market. The Group also has a strong customer network, which mainly comprises of reputable branded chain-stores, hotel restaurants and supermarkets in Hong Kong.

The Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of the Shareholders more effectively. The Group will consider from time to time other investment opportunities. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as and when appropriate.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the Shareholders at the extraordinary general meeting of the Company held on 30 April 2019 and upon obtaining the Certificate of Incorporation on Change of Name issued by the Registrar of Companies in the Cayman Islands, the English name of the Company was changed from "China Child Care Corporation Limited" to "Future Development Holdings Limited" and the Chinese name "未來發展控股有限公司" was adopted as the secondary name of the Company in place of the Chinese name "中國兒童護理有限公司", both with effect from 2 May 2019.

EMPLOYEES AND REMUNERATION

As at 30 June 2019, the Group employed 982 employees (as at 31 December 2018: 921 employees).

In addition to basic salaries, year-end bonuses may be rewarded by the Group to those staff members with outstanding performance. Constituent companies of the Group established in the PRC are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, constituent companies of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was refreshed in June 2019 to reward staff members who make contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Unaudited Condensed Consolidated Interim Financial Statements

The board of directors (the "Board") of Future Development Holdings Limited (the "Company") hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 together with the unaudited comparative figures for the corresponding period in 2018 and audited comparative figures at 31 December 2018, and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
REVENUE	4	284,416	266,055
Cost of sales		(260,481)	(205,623)
Gross profit		23,935	60,432
Other income and gains	5	5,987	4,040
Selling and distribution expenses		(25,220)	(26,842)
Administrative expenses		(60,035)	(60,839)
Other expenses	6	(14,232)	(12,973)
Finance costs	7	(3,131)	(4,896)
Share of loss of associates		(81)	(4,622)
Share of profit/(loss) of joint ventures		199	(461)
Loss before tax	8	(72,578)	(46,161)
Income tax expense	9	(862)	(1,750)
Loss for the period		(73,440)	(47,911)
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(75,337)	(50,998)
Non-controlling interests		1,897	3,087
Loss for the period		(73,440)	(47,911)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		830	12,583
		830	12,583
Items that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income, net of tax		(51,205)	(30,835)
		(51,205)	(30,835)
Other comprehensive expense for the period		(50,375)	(18,252)
Total comprehensive expense for the period		(123,815)	(66,163)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		(125,861)	(66,286)
Non-controlling interests		2,046	123
		(123,815)	(66,163)
		Six months ended 30 June	
		2019 RMB Cents	2018 RMB Cents
Loss per share attributable to equity holders of the Company	11		
Basic		(5.3)	(4.4)
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	164,986	171,823
Right-of-use assets		12,319	–
Prepaid land lease payments		–	10,511
Investment properties		114,539	115,768
Properties for development		123,911	123,854
Goodwill	13	22,800	22,800
Interests in associates		535	616
Interests in joint venture		–	–
Financial assets at fair value through other comprehensive income	14	39,556	128,361
Deferred tax assets		804	804
Loan and interest receivables	15	117,880	107,753
Prepayments and deposits		16,915	16,700
		614,245	698,990
CURRENT ASSETS			
Inventories		44,512	102,239
Loan and interest receivables	15	58,900	68,338
Trade and bills receivables	16	96,533	82,164
Prepayment, deposits and other receivables		46,941	40,861
Other financial assets		–	14,010
Amounts due from related companies		–	9,782
Amount due from an associate		48,319	23,589
Amount due from a joint venture		6,101	5,896
Amount due from non-controlling interest		3,062	2,961
Tax recoverable		1,083	136
Pledged bank deposits		16,759	7,442
Cash and cash equivalents		194,264	218,888
		516,474	576,306

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2019

	Notes	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	17	66,389	70,770
Other payables and accruals		43,474	43,123
Lease liabilities		1,343	–
Bank and other borrowings		197,834	173,768
Promissory notes payable		13,621	13,615
Amount due to a related company		–	1,500
Amounts due to associates		21,753	92,065
Amount due to a joint venture		–	4
Amount due to non-controlling interest		830	830
Tax payable		16,176	16,977
		361,420	412,652
NET CURRENT ASSETS			
		155,054	163,654
TOTAL ASSETS LESS CURRENT LIABILITIES			
		769,299	862,644
NON-CURRENT LIABILITIES			
Lease liabilities		(337)	–
Deferred tax liabilities		(14,885)	(15,418)
		(15,222)	(15,418)
NET ASSETS			
		754,077	847,226
EQUITY			
Share capital	18	13,411	11,649
Reserves		665,368	762,325
Equity attributable to equity holders of the Company		678,779	773,974
Non-controlling interests		75,298	73,252
TOTAL EQUITY		754,077	847,226

Tsai Wallen
DirectorChau Ling
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	FVTOCI revaluation reserve (Note 2) RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018 (audited)	11,649	519,572	38,070	11	(33,223)	16	11,088	226,791	773,974	73,252	847,226
(Loss)/profit for the period	-	-	-	-	-	-	-	(75,337)	(75,337)	1,897	(73,440)
Other comprehensive (expense)/income											
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	681	-	681	149	830
Loss on change in fair value of financial assets at fair value through other comprehensives income, net of tax	-	-	-	-	(51,205)	-	-	-	(51,205)	-	(51,205)
Total comprehensive (expense)/income for the period	-	-	-	-	(51,205)	-	681	(75,337)	(125,861)	2,046	(123,815)
Transferred to retained profits on disposal of financial assets at FVTOCI	-	-	-	-	4,369	-	-	(4,369)	-	-	-
Issue of new shares	1,762	28,904	-	-	-	-	-	-	30,666	-	30,666
Transferred to retained profits upon forfeiture of share options	-	-	(2,579)	-	-	-	-	2,579	-	-	-
At 30 June 2019 (unaudited)	13,411	548,476	35,491	11	(80,059)	16	11,769	149,664	678,779	75,298	754,077

Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2018

	Attributable to equity holders of the Company												
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	FVTOCI revaluation reserve (Note 2) RMB'000	Statutory reserve fund RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017, as originally presented (audited)	9,694	496,544	37,335	11	45,678	-	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
Change in accounting policy	-	-	-	-	(45,678)	45,678	-	-	-	-	-	-	-
At 1 January 2018, as restated	9,694	496,544	37,335	11	-	45,678	110,615	16	(20,615)	550,592	1,229,870	85,711	1,315,581
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(50,998)	(50,998)	3,087	(47,911)
Other comprehensive (expense)/income													
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	-	-	15,547	-	15,547	(2,964)	12,583
Loss on change in fair value of financial assets at fair value through other comprehensives income, net of tax	-	-	-	-	-	(30,835)	-	-	-	-	(30,835)	-	(30,835)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(30,835)	-	-	15,547	(50,998)	(66,286)	123	(66,163)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(2,912)	(2,912)
Issue of new shares	1,955	23,451	-	-	-	-	-	-	-	-	25,406	-	25,406
Share issue expenses	-	(423)	-	-	-	-	-	-	-	-	(423)	-	(423)
Recognition of equity-settled share-based payments	-	-	601	-	-	-	-	-	-	-	601	-	601
Dividend declared to non-controlling interest (Note 1)	-	-	-	-	-	-	-	-	-	-	-	(1,200)	(1,200)
Transferred to retained profits upon forfeiture of share options	-	-	(146)	-	-	-	-	-	-	146	-	-	-
At 30 June 2018 (unaudited)	11,649	519,572	37,790	11	-	14,843	110,615	16	(5,068)	499,740	1,189,168	81,722	1,270,890

Note 1: During the six months ended 30 June 2018, interim dividend amounting to RMB1,200,000 was declared by Fujian Azalli Daily Chemicals Limited, a non-wholly owned subsidiary of the Company, to its non-controlling interest.

Note 2: FVTOCI represents financial assets at fair value through other comprehensive income.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Net cash used in operating activities		(127,715)	(76,918)
Investing activities			
Decrease/(increase) in financial assets at fair value through profit or loss		88,805	(4,300)
Acquisition of property, plant and equipment	12	(7,878)	(6,284)
Acquisition of subsidiaries	20(a)&(b)	(13,424)	–
Net outflow from disposal of subsidiaries	21	–	(463)
Other cash flows from investing activities		14,010	5,038
Net cash generated from/(used in) investing activities		81,513	(6,009)
Financing activities			
Drawdown of bank loans		–	4,700
Proceed from/(repayment of) borrowings		24,066	(7,088)
Repayment of promissory notes payable		–	(10,101)
Payment of leased liabilities		(3,318)	–
Net proceeds from issue of shares		–	24,983
Net cash generated from financing activities		20,748	12,494
NET DECREASE IN CASH AND CASH EQUIVALENTS		(25,454)	(70,433)
Cash and cash equivalents at beginning of period		218,888	222,691
Effect of foreign exchange rate changes, net		830	776
CASH AND CASH EQUIVALENTS AT END OF PERIOD		194,264	153,034
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents presented in the condensed consolidated statement of financial position		194,264	153,034

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

1. CORPORATE INFORMATION

Future Development Holdings Limited (formerly known as “China Child Care Corporation Limited”) was incorporated as an exempted company with limited liability in the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong. The Company’s principal place of business in the People’s Republic of China (the “Mainland China” or the “PRC”) is located at No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding, investment holding and the provision of food and beverage services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Other than the changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRS”), the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2018.

In the current period, for the first time, the Group has applied the following new and amendments to the IFRSs issued by the International Accounting Standard Board. These IFRSs are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s unaudited condensed consolidated financial statements.

IFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

IFRS 16.C21 IFRS 16.1 Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets").

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

(a) *The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:*

	Increase/ (decrease) RMB'000 (unaudited)
Assets	
Increase in right-of-use assets	19,962
Decrease in prepaid land lease payments	(10,511)
Decrease in prepayments, deposits and other receivables	(268)
Increase in total assets	9,183
Liabilities	
Increase in lease liabilities (non-current)	8,146
Increase in lease liabilities (current)	1,037
Increase in total liabilities	9,183

(b) *The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 are as follows:*

	RMB'000
Operating lease commitment as at 31 December 2018 (audited)	10,481
Weighted average incremental borrowing rate as at 1 January 2019	6.48%
	RMB'000 (unaudited)
Discounted operating lease commitments as at 1 January 2019	10,060
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(877)
Lease liabilities as at 1 January 2019	9,183

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

- (c) The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

IFRS 16 Leases (continued)

(d) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets RMB'000 (unaudited)	Lease liabilities RMB'000 (unaudited)
At as 1 January 2019	19,962	9,183
Depreciation charges	(2,343)	–
Finance costs	–	317
Payments	–	(3,318)
Disposals	(5,187)	(4,429)
Exchange realignment	(113)	(73)
As at 30 June 2019	12,319	1,680

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into the following operating segments based on their products and services:

- (a) Personal care products – manufacture and sale of skin care, body and hair care, oral care and diaper and tissue products
- (b) Money lending
- (c) Operation of online platform
- (d) Trading of commodities
- (e) Securities investment
- (f) Properties holding
- (g) Provision of food and beverage services

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income derived from banks, other unallocated income and gains, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, prepayments, deposits and other receivables, financial assets at fair value through other comprehensive income, tax recoverable, pledged deposits and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

4. REVENUE

The following is an analysis of the Group's revenue for the period:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Revenue from sales of goods	235,964	238,769
Interest income from money lending business	17,965	16,609
Income from operation of online platform	5,219	8,838
Rental income from investment properties	248	1,839
Income from provision of food and beverage services	25,020	–
	284,416	266,055

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest income	419	1,905
Income derived from financial assets at fair value through profit or loss	342	399
Gain on acquisition (Note 20(b))	91	–
Reversal of impairment loss on trade receivables	1,911	–
Government subsidies*	2,186	619
Rental income	278	285
Other	760	832
	5,987	4,040

* There are no unfulfilled conditions or contingencies relating to these subsidies.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

6. OTHER EXPENSES

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Loss on disposal of property, plant and equipment	437	2,580
Impairment loss on loan and interest receivables	4,988	488
Impairment on trade receivables	4,462	–
Impairment loss on goodwill (Note 20(a))	2,523	–
Trade receivables written off	–	232
Loss on early redemption of a promissory note	–	104
Loss on disposal of a subsidiary (Note 21)	–	9,004
Loss on change in fair value of investment properties	1,710	406
Labeling issue recalling expenses	108	–
Others	4	159
	14,232	12,973

7. FINANCE COSTS

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Interest on bank borrowings	1,354	2,586
Interest on other borrowings	1,460	2,174
Imputed interest on promissory notes payable	–	136
Finance charges on obligations under leased assets	317	–
	3,131	4,896

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Cost of inventories sold (note a below)	260,481	205,623
Depreciation of property, plant and equipment (note a below)	14,222	18,066
Depreciation of right-of-use assets	2,343	–
Amortisation of prepaid land lease payments	–	170
Amortisation of intangible assets	–	36
Lease payments under short-term leases and low value assets	2,086	–
Minimum lease payments under operating leases on land and buildings	–	1,966
Direct operating expenses arising from investment properties	–	618
Employee benefit expenses (including directors' remuneration) (notes a and b below):		
Wages and salaries	32,135	26,975
Equity-settled share option expense	–	601
Retirement benefit scheme contributions	2,880	3,497
Total staff costs	35,015	31,073
Research and development costs (note b below)	9,905	5,586
Net foreign exchange loss	3,101	5,290

Notes:

- (a) The depreciation and employee benefits expenses for the six months ended 30 June 2019 included amounts of RMB1,143,000 (2018: RMB10,556,000) and RMB2,904,000 (2018: RMB7,333,000) respectively which are also included in the cost of inventories sold.
- (b) The research and development costs for the six months ended 30 June 2019 include an amount of RMBNil (2018: RMB408,000) relating to staff costs for research and development activities, which is also included in the total amounts of employee benefit expenses.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Hong Kong profits tax	1,998	1,951
PRC Enterprise Income tax	2	11
Current tax	2,000	1,962
Deferred tax	(1,138)	(212)
Total income tax expense	862	1,750

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

PRC subsidiaries, except for 青蛙王子(中國)日化有限公司 ("Frog Prince (China)"), are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the periods presented.

Pursuant to the High-New Technology Enterprise certificate granted by the local authority in the PRC, which was obtained by the Group in April 2014, a subsidiary, Frog Prince (China), was taxed at a preferential tax rate of 15% for a period of three years commencing from the year ended 31 December 2013. During the prior year ended 31 December 2016, Frog Prince (China) was granted tax preferential rate of 15% in respect of PRC Enterprise Income Tax for an additional three years commencing from that year.

10. DIVIDENDS

The directors of the Company do not recommend any payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

11. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share is based on loss for the period attributable to the equity holders of the Company of approximately RMB75,337,000 (2018: RMB50,998,000) and the weighted average of 1,425,482,000 (2018: 1,163,556,000) ordinary shares in issue during the six months ended 30 June 2019.

Diluted loss per share for both of the periods are not presented as the effects of potential shares issuable arising from exercise of share options are regarded anti-dilutive.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

12. PROPERTY, PLANT AND EQUIPMENT

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
At beginning of period/year, net of accumulated depreciation and impairment	171,823	402,050
Additions, at cost	7,878	10,950
Disposals	(467)	(6,581)
Depreciation provided for the period/year	(14,222)	(28,293)
Impairment losses recognised for the period/year	–	(170,747)
Eliminated upon disposal of a subsidiary	–	(6,434)
Exchange realignment	(26)	278
Reclassified to investment properties	–	(29,400)
At end of period/year, net of accumulated depreciation and impairment	164,986	171,823

13. GOODWILL

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Cost		
At 1 January	103,257	139,114
Disposal of a subsidiary	–	(35,857)
At 30 June/31 December	103,257	103,257
Accumulated impairment losses		
At 1 January	80,457	75,800
Impairment loss recognised	–	31,157
Eliminated upon disposal of a subsidiary	–	(26,500)
At 30 June/31 December	80,457	80,457
Net carrying amount	22,800	22,800

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Financial assets at fair value through other comprehensive income		
– Equity securities listed in Hong Kong	12,087	50,925
– Unlisted investment fund	23,488	62,442
– Unlisted equity investments	3,981	14,994
	39,556	128,361

15. LOAN AND INTEREST RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Loan and interest receivables thereon		
– within one year	68,830	73,198
– in the second to fifth year	113,592	102,878
– over five years	4,288	4,875
	186,710	180,951
Less: Impairment loss recognised	(9,930)	(4,860)
	176,780	176,091
Analysed for reporting as:		
Non-current assets	117,880	107,753
Current assets	58,900	68,338
	176,780	176,091

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

15. LOAN AND INTEREST RECEIVABLES (continued)

Movement during the period/year are as follows:

	Six months ended 30 June 2019 RMB'000 (unaudited)	Year ended 31 December 2018 RMB'000 (audited)
At beginning of the period/year	176,091	205,382
Loans made by the Group	19,458	95,590
Interest on loan receivables	17,965	35,936
Loan and interest repaid by borrowers	(31,835)	(165,830)
Impairment loss of loan and interest receivables	(4,988)	(4,673)
Exchange realignment	89	9,686
At end of the period/year	176,780	176,091

16. TRADE AND BILLS RECEIVABLES

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Trade and bills receivables	100,995	84,075
Less: allowance for doubtful debts	(4,462)	(1,911)
	96,533	82,164

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (31 December 2018: 30 days to 180 days).

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non interest bearing.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

16. TRADE AND BILLS RECEIVABLES (continued)

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 <i>RMB'000</i> (unaudited)	31 December 2018 <i>RMB'000</i> (audited)
Within 30 days	53,264	25,859
31 to 60 days	27,126	23,502
61 to 90 days	9,458	4,025
Over 90 days	6,685	28,778
	96,533	82,164

17. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 <i>RMB'000</i> (unaudited)	31 December 2018 <i>RMB'000</i> (audited)
Within 30 days	23,019	34,644
31 to 90 days	23,419	18,466
Over 90 days	19,951	17,660
	66,389	70,770

The trade payables are non interest bearing and are normally settled on terms of 30 days to 180 days (31 December 2018: 30 days to 180 days).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

18. SHARE CAPITAL

	30 June 2019		31 December 2018	
	Number of ordinary shares '000	Share capital RMB'000 (unaudited)	Number of ordinary shares '000	Share capital RMB'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each	5,000,000	41,524	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At 1 January	1,390,123	11,649	1,158,436	9,694
Shares issued during the period/year (Note)	200,000	1,762	231,687	1,955
At 30 June/31 December	1,590,123	13,411	1,390,123	11,649

Note:

On 1 March 2019, the Company entered into an agreement with a third party for the acquisition of 80% equity interest in Real Power, 200,000,000 new shares were issued as part of the purchase consideration.

On 27 June 2018, 231,687,000 ordinary shares of HK\$0.01 each were allotted and issued at a price of HK\$0.130 per share which gave rise to the net proceeds of approximately RMB24,983,000.

19. SHARE OPTION SCHEME

On 22 June 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include, among others, the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company's shareholders. The Scheme was conditionally approved on 22 June 2011, for 10 years from that date. The Scheme became effective on 15 July 2011 upon the listing of the Company's shares on the Stock Exchange. The limit of the Scheme was refreshed on 30 June 2017 and the Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

19. SHARE OPTION SCHEME (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive director who or whose associate is the grantee of the option). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements of share options during the reporting period are as follows:

	30 June 2019		31 December 2018	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	1.26	93,655	1.26	94,827
Forfeited during the period/year	0.42	(15,908)	1.30	(1,172)
At 30 June/31 December	1.43	77,747	1.26	93,655

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

19. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2019 Number of options '000	Exercise price HK\$ per share	Exercise period
8,844	1.92	14-10-2012 to 13-10-2021
7,126	2.94	21-06-2013 to 20-06-2022
22,690	1.83	26-09-2015 to 25-09-2024
29,387	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
77,747		

31 December 2018 Number of options '000	Exercise price HK\$ per share	Exercise period
8,904	1.92	14-10-2012 to 13-10-2021
7,174	2.94	21-06-2013 to 20-06-2022
22,940	1.83	26-09-2015 to 25-09-2024
29,637	0.81	18-01-2017 to 27-12-2025
9,700	0.81	20-01-2017 to 27-12-2025
15,300	0.38	24-05-2017 to 23-05-2027
93,655		

The Group recognised share option expenses of a total of RMB Nil (2018: RMB601,000) for the six months ended 30 June 2019.

At the end of the reporting period, the Company had approximately 77,747,000 share options (2018: 93,655,000) outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 77,747,000 (2018: 93,655,000) additional ordinary shares of the Company which would give rise to the total proceeds of HK\$111,114,000 (2018: HK\$117,844,000).

Up to the date of approval of these condensed consolidated interim financial statements, the Company had approximately 77,747,000 share options outstanding under the Scheme, which represented approximately 4.89% of the Company's shares in issue as at that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

20. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Real Power International Group Limited ("Real Power")

Real Power was a 20% equity-owned associate of the Group as at 31 December 2018. On 1 March 2019, the Company as purchaser, and Pine Victory Limited ("Pine Victory"), as a vendor, entered into a sales and purchase agreement, pursuant to which the vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire 80% of the issued share capital of Real Power not owned by the Group. Real Power and its subsidiaries are principally engaged in the food and beverage service industry in particularly trading of frozen agricultural products.

The acquisition of 80% equity interest in Real Power was completed on 29 May 2019. Following completion, Real Power and its subsidiaries became a wholly-owned subsidiaries of the Company. The acquisition of Real Power is to enable the Group to engage in provision of food and beverage services in Hong Kong.

An analysis of assets and liabilities of Real Power and its subsidiaries at the date of acquisition:

	<i>RMB'000</i> (unaudited)
Assets	
Property, plant and equipment	74
Inventories	23,475
Trade receivables	36,128
Other receivables	139
Cash and cash equivalent	6,639
Liabilities	
Trade payables	(79)
Due to the ultimate holding company	(2,820)
Other payables and accruals	(4,977)
Total identifiable net assets acquired	58,579
<i>RMB'000</i> (unaudited)	
Consideration transferred	
– Cash paid by the Company	19,385
– Shares issued by the Company	30,666
Total consideration for acquisition of 80% equity interest in Real Power	50,051
Fair value of 20% equity interest in Real Power held by the Group	11,051
Recognised amount of identifiable net assets acquired	(58,579)
Goodwill arising on acquisition	2,523

Impairment of the goodwill arising on acquisition amounted to RMB2,523,000 was reflected in profit or loss in respect of the current period and included in other expenses (note 6).

An analysis of cash flows in respect of the acquisition of Real Power and its subsidiaries is as follows:

	<i>RMB'000</i> (unaudited)
Consideration paid in cash	(19,385)
Cash and cash equivalents acquired	6,639
Net outflow of cash and cash equivalents	(12,746)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

20. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of China Cold Chain Limited ("China Cold Chain")

On 4 June 2019, the Group as purchaser, and certain third parties, as "vendors", entered into a sales and purchase agreement, pursuant to which the vendors has agreed to sell and the Group has agreed to acquire the 100% issued share capital of China Cold Chain.

China Cold Chain is principally engaged in provision of frozen warehouse services business. The acquisition of China Cold Chain was completed on 4 June 2019. Following completion, China Cold Chain became a wholly-owned subsidiary of the Company. The acquisition of China Cold Chain is to allow the Company to achieve a synergy effect with the food and beverage service business.

An analysis of assets and liabilities of China Cold Chain at the date of acquisition:

	<i>RMB'000</i> (unaudited)
Assets	
Property, plant and equipment	851
Prepayments and deposits and other receivables	518
Cash and cash equivalents	27
Liabilities	
Trade payables	(8)
Other payables and accruals	(591)
Tax payables	(1)
Total identifiable net assets acquired	796

	<i>RMB'000</i> (unaudited)
Total consideration for acquisition	705
Total identifiable net assets acquired	(796)
Gain on acquisition (Note 5)	91

An analysis of cash flows in respect of the acquisition of China Cold Chain is as follows:

	<i>RMB'000</i> (unaudited)
Consideration paid in cash	(705)
Cash and cash equivalents acquired	27
Net outflow of cash and cash equivalents	(678)

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

21. DISPOSAL OF SUBSIDIARIES

On 30 June 2018, Frog Prince (China) Daily Chemicals Co., Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with an independent third party to dispose of 80% equity interest in a subsidiary, 福建愛潔麗有限公司 (“Fujian Azalli”), for an aggregate cash consideration of RMB12,000,000. The disposal was completed on 30 June 2018. Immediately after completion of the disposal, the Fujian Azalli ceased to be a subsidiary of the Company.

An analysis of assets and liabilities at the date of disposal over which control was lost:

	<i>RMB'000</i>
Property, plant and equipment	6,434
Goodwill	9,357
Intangible asset	494
Inventories	1,621
Other financial assets	3,800
Trade and bills receivables	5,062
Prepayments, deposits and other receivables	10,350
Amounts due from group companies	6,191
Pledged bank deposits	6,648
Cash and cash equivalents	463
Trade and bills payables	(22,464)
Other payables and accruals	(4,040)
	<hr/>
Net assets disposed of	23,916

	<i>RMB'000</i>
Loss on disposal of a subsidiary	<hr/>
Cash consideration	12,000
Net assets disposed of	(23,916)
Non-controlling interests	2,912
	<hr/>
Loss on disposal of a subsidiary (Note 6)	(9,004)

An analysis of the cash flow from the disposal of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration received	–
Cash and cash equivalents disposed of	(463)
	<hr/>
Net cash outflow from disposal of a subsidiary	(463)

The consideration for disposal of RMB12,000,000 was included in other receivables at the end of reporting period. Such consideration receivables was fully settled subsequent to that date.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years (31 December 2018: one to twenty years).

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Within one year	637	1,343
In the second to fifth years, inclusive	1,721	1,764
More than five years	4,854	5,112
	7,212	8,219

(b) As lessee

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018 RMB'000
Within one year	6,511
In the second to fifth years, inclusive	3,970
	10,481

The Group is the lessee in respect of a number of properties for the office and warehouses purposes, which are held under leases previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

23. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 RMB'000 (unaudited)	31 December 2018 RMB'000 (audited)
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	–	288

24. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2019 and 31 December 2018.

25. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Related companies:			
Sales of products	(a)	–	6,073
Associates:			
Sales of products	(b)	73,515	48,143
Purchases of products	(b)	5,296	10,459
Miscellaneous income	(b)	475	–

Notes:

- (a) Sales to a related company, Shuangfei Daily Chemicals (USA) Inc., which is controlled by Mr. Li Zhenhui, a former director of the Company and a director of a subsidiary of the Company, were made on mutually agreed terms.
- (b) Sales to, purchases from and miscellaneous income from an associate, Fujian Herun Supply Chain Management Ltd. were made on mutually agreed terms.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

25. RELATED PARTY TRANSACTIONS (continued)

- (ii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Short term employee benefits	280	345
Post-employment benefits	13	20
Total compensation paid to key management personnel	293	365

26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

- (a) On 10 July 2019, the Company and Frankinton Technology Limited (“Frankinton”) entered into a disposal agreement, pursuant to which Frankinton has conditionally agreed to acquire and the Company has conditionally agreed to sell the entire issued share capital of Golden Virtue Investment Holdings Limited (“Golden Virtue”) at the total consideration of HK\$125 million. The consideration shall be satisfied on the completion date for disposal as (i) an amount equivalent to the outstanding loan to be offset on a dollar-for-dollar basis; and (ii) the balance upon the offset to be paid by the purchaser in cash to the company. Completion of the disposal has not taken place up to the date of approval of these condensed consolidated interim financial statements. Details regarding the proposed disposal transaction are set out in the announcement dated 10 July 2019 and 31 July 2019 made by the Company.
- (b) On 16 July 2019, the Company announced for the proposed change of its English name from “Future Development Holdings Limited” to “Prosperous Future Holdings Limited” with its Chinese name “未來發展控股有限公司” remained unchanged. The proposed change in the Company’s English name to “Prosperous Future Holdings Limited” is not yet effective up to the date of approval of these condensed consolidated interim financial statements. Details regarding the change of company name are set out in the announcement dated 16 July 2019 made by the Company.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2019

26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)

- (c) On 19 July 2019, a subsidiary, China Cold Chain, and the landlord, ATL Logistics Centre Hong Kong Limited, entered into the 5 years tenancy agreement with monthly rental of HK\$479,902 and monthly tenancy management fee of HK\$50,516 for the first to third year of the tenancy period and monthly rental of HK\$530,418 and monthly tenancy management fee of HK\$50,516 for the fourth to fifth year of the tenancy period in respect of the lease of the certain portion of the building containing a multi-storeyed container freight station located at Gridlines 2001W-2004W, 2nd Floor, ATL Logistics Centre Phase II, Berth No. 3, Kwai Chung Container Terminal, Kwai Chung, New Territories, Hong Kong. The Property is located at Kwai Chung Container Terminal, being one of the major international container ports in the world. Given that the Group is planning to develop its provision of frozen warehouse services business, the Directors consider that the size and location of the Property suit the Group's current business needs and is in line with the Group's development strategy. Further, the rental under the Tenancy Agreement was determined with reference to the prevailing market rent for properties of similar use, floor area and location. Details regarding the tenancy agreement are set out in the announcement dated 19 July 2019 made by the Company.
- (d) On 23 August 2019, the Company entered into the disposal agreement with Billionaire Asia Limited ("**Billionaire Asia**") pursuant to which the Company has agreed to sell and Billionaire Asia has agreed to acquire 51% of the issued shares in Marvel Paramount Holdings Limited ("**Marvel Paramount**") at a total consideration of HK\$40,000,000. Marvel Paramount and its subsidiaries are principally engaged in the operation of online platform. Completion of the disposal has not taken place up to the date of approval of these condensed consolidated interim financial statements. Details of the said disposal are set out in the announcement dated 23 August 2019 made by the Company.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2019.

Supplementary Information to the Interim Report

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options, granted under the share option scheme, during the six months ended 30 June 2019 are as follows:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Non-executive Directors									
Mr. Li Zhouxin (re-designated from executive director on 30 June 2017)	21 June 2012	2.94	90,000	-	-	-	-	90,000	E
			90,000	-	-	-	-	90,000	F
			180,000	-	-	-	-	180,000	
	26 September 2014	1.83	120,000	-	-	-	-	120,000	G
			90,000	-	-	-	-	90,000	H
			90,000	-	-	-	-	90,000	I
			300,000	-	-	-	-	300,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			1,480,000	-	-	-	-	1,480,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Director Mr. Huang Xinwen (resigned on 15 October 2018)	14 October 2011	1.92	300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			600,000	-	-	-	-	600,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
Sub-total			3,400,000	-	-	-	-	3,400,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Ren Yunan (resigned on 17 April 2018)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	F
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	1,400,000	-	-	-	-	1,400,000	J
			1,050,000	-	-	-	-	1,050,000	K
			1,050,000	-	-	-	-	1,050,000	L
			3,500,000	-	-	-	-	3,500,000	
Sub-total			3,900,000	-	-	-	-	3,900,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/lapsed during the period		
Former Directors (continued)									
Mr. Li Zhenhui (resigned on 27 January 2017)	14 October 2011	1.92	800,000	-	-	-	-	800,000	A
			600,000	-	-	-	-	600,000	B
			600,000	-	-	-	-	600,000	C
			2,000,000	-	-	-	-	2,000,000	
	21 June 2012	2.94	144,000	-	-	-	-	144,000	D
			108,000	-	-	-	-	108,000	E
			108,000	-	-	-	-	108,000	F
			360,000	-	-	-	-	360,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			4,360,000	-	-	-	-	4,360,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Ge Xiaohua (retired on 15 June 2017)	14 October 2011	1.92	300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			600,000	-	-	-	-	600,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			3,400,000	-	-	-	-	3,400,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Xie Jinling (resigned on 19 July 2016)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	-	1,000,000	
	18 January 2016	0.81	400,000	-	-	-	-	400,000	J
			300,000	-	-	-	-	300,000	K
			300,000	-	-	-	-	300,000	L
			1,000,000	-	-	-	-	1,000,000	
Sub-total			3,800,000	-	-	-	-	3,800,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Ms. Hong Fang (resigned on 27 January 2016)	14 October 2011	1.92	400,000	-	-	-	-	400,000	A
			300,000	-	-	-	-	300,000	B
			300,000	-	-	-	-	300,000	C
			1,000,000	-	-	-	-	1,000,000	
	21 June 2012	2.94	320,000	-	-	-	-	320,000	D
			240,000	-	-	-	-	240,000	E
			240,000	-	-	-	-	240,000	F
			800,000	-	-	-	-	800,000	
	26 September 2014	1.83	1,200,000	-	-	-	-	1,200,000	G
			900,000	-	-	-	-	900,000	H
			900,000	-	-	-	-	900,000	I
			3,000,000	-	-	-	-	3,000,000	
	18 January 2016	0.81	1,200,000	-	-	-	-	1,200,000	J
			900,000	-	-	-	-	900,000	K
			900,000	-	-	-	-	900,000	L
			3,000,000	-	-	-	-	3,000,000	
Sub-total			7,800,000	-	-	-	-	7,800,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Chen Shaojun (resigned on 4 May 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
			200,000	-	-	-	-	200,000	
Sub-total			600,000	-	-	-	-	600,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Former Directors (continued)									
Mr. Wong Wai Ming (resigned on 11 November 2016)	14 October 2011	1.92	40,000	-	-	-	-	40,000	A
			30,000	-	-	-	-	30,000	B
			30,000	-	-	-	-	30,000	C
			100,000	-	-	-	-	100,000	
	21 June 2012	2.94	40,000	-	-	-	-	40,000	D
			30,000	-	-	-	-	30,000	E
			30,000	-	-	-	-	30,000	F
			100,000	-	-	-	-	100,000	
	26 September 2014	1.83	80,000	-	-	-	-	80,000	G
			60,000	-	-	-	-	60,000	H
			60,000	-	-	-	-	60,000	I
			200,000	-	-	-	-	200,000	
	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
			200,000	-	-	-	-	200,000	
Sub-total			600,000	-	-	-	-	600,000	
Mr. Lee Man Chiu (resigned on 20 May 2016)	18 January 2016	0.81	80,000	-	-	-	-	80,000	J
			60,000	-	-	-	-	60,000	K
			60,000	-	-	-	-	60,000	L
Sub-total			200,000	-	-	-	-	200,000	
Total for directors			29,540,000	-	-	-	-	29,540,000	

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2019	Exercise period (Note 2)	
			Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period			
Employees of the Group in aggregate	14 October 2011	1.92	352,400	-	-	-	-	352,400	A	
			1,507,800	-	-	-	(30,000)	1,477,800	B	
			1,543,800	-	-	-	(30,000)	1,513,800	C	
				3,404,000	-	-	-	(60,000)	3,344,000	
	21 June 2012	2.94	761,600	-	-	-	-	761,600	D	
			1,186,200	-	-	-	(24,000)	1,162,200	E	
			1,186,200	-	-	-	(24,000)	1,162,200	F	
				3,134,000	-	-	-	(48,000)	3,086,000	
	26 September 2014	1.83	6,016,000	-	-	-	(100,000)	5,916,000	G	
			4,512,000	-	-	-	(75,000)	4,437,000	H	
			4,512,000	-	-	-	(75,000)	4,437,000	I	
				15,040,000	-	-	-	(250,000)	14,790,000	
18 January 2016	0.81	7,014,600	-	-	-	(100,000)	6,914,600	J		
		5,260,950	-	-	-	(75,000)	5,185,950	K		
		5,260,950	-	-	-	(75,000)	5,185,950	L		
			17,536,500	-	-	-	(250,000)	17,286,500		
24 May 2017	0.38	15,300,000	-	-	-	(15,300,000)	-	P		
Total for employees			54,414,500	-	-	-	(15,908,000)	38,506,500		
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	-	-	-	-	3,880,000	M	
			2,910,000	-	-	-	-	2,910,000	N	
			2,910,000	-	-	-	-	2,910,000	O	
Total for distributors			9,700,000	-	-	-	-	9,700,000		
TOTAL			93,654,500	-	-	-	(15,908,000)	77,746,500		

Supplementary Information to the Interim Report (continued)

SHARE OPTION SCHEME (continued)*Notes:*

1. The closing prices of the Company's shares immediately before the dates of grant on 14 October 2011, 21 June 2012, 26 September 2014, 18 January 2016, 20 January 2016 and 24 May 2017 were HK\$1.98, HK\$2.94, HK\$1.86, HK\$0.64, HK\$0.67 and HK\$0.36, respectively.
2. The respective exercise periods of the share options granted are as follows:
 - A: From 14 October 2012 to 13 October 2021
 - B: From 14 October 2013 to 13 October 2021
 - C: From 14 October 2014 to 13 October 2021
 - D: From 21 June 2013 to 20 June 2022
 - E: From 21 June 2014 to 20 June 2022
 - F: From 21 June 2015 to 20 June 2022
 - G: From 26 September 2015 to 25 September 2024
 - H: From 26 September 2016 to 25 September 2024
 - I: From 26 September 2017 to 25 September 2024
 - J: From 18 January 2017 to 27 December 2025
 - K: From 18 January 2018 to 27 December 2025
 - L: From 18 January 2019 to 27 December 2025
 - M: From 20 January 2017 to 27 December 2025
 - N: From 20 January 2018 to 27 December 2025
 - O: From 20 January 2019 to 27 December 2025
 - P: From 24 May 2017 to 23 May 2027

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

3. The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

Supplementary Information to the Interim Report (continued)

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests of the directors of the Company in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Nature of interests	Number of underlying shares interested	Percentage⁺ of underlying shares over the Company's issued share capital
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.09%

⁺ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2019, none of the directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

A. Long positions in the ordinary shares of the Company

Name of substantial shareholder	Nature of interests	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner (Note 1)	263,308,500	16.56%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation (Note 1)	263,308,500	16.56%
Pine Victory Trading Limited	Beneficial owner (Note 2)	200,000,000	12.58%
Good Honour Investment Holdings Limited	Interest of controlled corporation (Note 2)	200,000,000	12.58%
Diamond Ace Holdings Limited	Interest of controlled corporation (Note 2)	200,000,000	12.58%
Ace King Limited	Interest of controlled corporation (Note 2)	200,000,000	12.58%
Ms. Cheng Wan Gi	Interest of controlled corporation (Note 2)	200,000,000	12.58%
Mr. Da Zhibiao	Beneficial owner	140,382,500	8.83%
Elite Beauty International Trading (Hong Kong) Co., Limited	Beneficial owner (Note 3)	80,000,000	5.03%
Mr. Li Liang	Interest of controlled corporation (Note 3)	80,000,000	5.03%

Notes:

- These shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these shares pursuant to Part XV of the SFO.
- These shares were held by Pine Victory Trading Limited ("**Pine Victory**"). Pine Victory is wholly-owned by Good Honour Investment Holdings Limited ("**Good Honour**"), which in turn is owned as to 84% by Diamond Ace Holdings Limited ("**Diamond Ace**"). Diamond Ace is wholly-owned by Ace King Limited ("**Ace King**"), which in turn is wholly-owned by Ms. Cheng Wan Gi ("**Ms. Cheng**"). Accordingly, each of Good Honour, Diamond Ace, Ace King and Ms. Cheng is deemed to be interested in the 200,000,000 shares of the Company held by Pine Victory pursuant to Part XV of the SFO.
- These shares were held by Elite Beauty International Trading (Hong Kong) Co., Limited, a controlled corporation of Mr. Li Liang. Accordingly, Mr. Li Liang was deemed to be interested in these shares pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2019.

Supplementary Information to the Interim Report (continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

- B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of substantial shareholder	Nature of interests	Number of underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Liang	Beneficial owner	30,000	0.002%

⁺ The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2019.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2019, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code during the reporting period.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities. Each director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Model Code throughout the period ended 30 June 2019.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

Supplementary Information to the Interim Report (continued)

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the period ended 30 June 2019.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of directors of the Company are set out as follow:

- Mr. Lau Ka Ho was appointed as executive director of the Company on 24 May 2019.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the Company's three independent non-executive directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2019, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.