DAIDO GROUP LIMITED

大同集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00544)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER, 2017

The board of directors (the ''Board'') of Daido Group Limited (the ''Company'') is pleased to announce the audited consolidated results of the Company and its subsidiaries (the ''Group'') for the year ended 31st December, 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Revenue	2	**275,493**	305,651
Direct costs		**(245,951)**	(245,706)
Gross profit		**29,542**	59,945
Other income	3	**1,257**	791
Selling and distribution expenses		**(12,529)**	(16,198)
Administrative expenses		**(39,194)**	(41,686)
Other gains and losses	4	**(8,350)**	(827)
Share of loss of a joint venture		**-**	(7,947)
Finance costs	5	**(6,077)**	(6,405)
Loss before tax		**(35,351)**	(12,327)
Taxation	6	**-**	-
Loss for the year	7	**(35,351)**	(12,327)

* *For identification purpose only*

	NOTES	2017	2016
		HK$'000	HK$'000
Other comprehensive income (expense) for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**381**	(682)
Total comprehensive expense for the year		**(34,970)**	(13,009)
Loss for the year attributable to:			
Owners of the Company		**(35,351)**	(12,327)
Non-controlling interests		**-**	-
		(35,351)	(12,327)
Total comprehensive expense attributable to:			
Owners of the Company		**(34,970)**	(13,009)
Non-controlling interests		**-**	-
		(34,970)	(13,009)
Loss per share - basic	9	**(HK1.45 cents)**	(HK0.51 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2017

	NOTES	2017	2016
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,578**	10,555
Goodwill		**68**	8,581
Available-for-sale investments		**38,502**	38,502
Rental deposits paid		**25,038**	21,782
Pledged bank deposits		**102,975**	90,005
Loan receivables	10	**12,262**	31,000
		186,423	200,425

	NOTES	**2017**	2016
		HK$'000	HK$'000
CURRENT ASSETS			
Inventories		**693**	738
Trade and other receivables, deposits and prepayments	11	**59,490**	64,168
Loan receivables	10	**51,318**	10,893
Amount due from non-controlling interests of a subsidiary		**9,760**	9,760
Held for trading investments		**902**	702
Bank balances and cash		**94,792**	156,060
		216,955	242,321
CURRENT LIABILITIES			
Trade and other payables	12	**28,884**	31,429
Amount due to an investee		**39,042**	39,042
Obligations under finance leases		**594**	1,853
		68,520	72,324
NET CURRENT ASSETS		**148,435**	169,997
TOTAL ASSETS LESS CURRENT LIABILITIES		**334,858**	370,422
CAPITAL AND RESERVES			
Share capital		**24,323**	24,323
Share premium and reserves		**195,321**	230,291
Equity attributable to owners of the Company		**219,644**	254,614
Non-controlling interests		**14,923**	14,923
		234,567	269,537
NON-CURRENT LIABILITIES			
Obligations under finance leases		**291**	885
Bonds		**100,000**	100,000
		100,291	100,885
		334,858	370,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

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

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

2. Trading and related services in the People's Republic of China ("PRC") ("Trading and related services")

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

Segments revenues and results

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

For the year ended 31st December, 2017

	Cold storage and related services HK$'000	**Trading and related services HK$'000**	**Money lending services HK$'000**	**Total HK$'000**
Revenue	**210,350**	**58,933**	**6,210**	**275,493**
Segment profit (loss)	**(14,092)**	**(8,397)**	**1,860**	**(20,629)**
Unallocated income				**1,257**
Unallocated expenses				**(10,102)**
Change in fair value of held for trading investments				**200**
Finance costs				**(6,077)**
Loss before tax				**(35,351)**

For the year ended 31st December, 2016

	Cold storage and related services HK$'000	Trading and related services HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	236,691	62,173	6,787	305,651
Segment profit (loss)	23,378	(12,137)	(539)	10,702
Unallocated income				791
Unallocated expenses				(9,472)
Change in fair value of held for trading investments				4
Share of loss of a joint venture				(7,947)
Finance costs				(6,405)
Loss before tax				(12,327)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, central administration costs including partly auditor's remuneration and directors' remuneration, change in fair value of held for trading investments, share of loss of a joint venture and finance costs. This is the measure reported to the chief operating decision makers, the executive directors, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2017	2016
	HK$'000	HK$'000
SEGMENT ASSETS		
Cold storage and related services	**77,071**	91,273
Trading and related services	**12,985**	11,740
Money lending services	**63,661**	41,906
Total segment assets	**153,717**	144,919
Unallocated assets	**249,661**	297,827
Consolidated assets	**403,378**	442,746
SEGMENT LIABILITIES		
Cold storage and related services	**16,457**	20,459
Trading and related services	**8,022**	8,493
Money lending services	**65,796**	44,111
Total segment liabilities	**90,275**	73,063
Unallocated liabilities	**78,536**	100,146
Consolidated liabilities	**168,811**	173,209

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

- all assets are allocated to operating segments other than available-for-sale investments, amount due from non-controlling interests of a subsidiary, held for trading investments, pledged bank deposits, bank balances and cash, certain property, plant and equipment, and certain other receivables. Goodwill is allocated to cold storage and related services and money lending services; and

- all liabilities are allocated to operating segments other than amount due to an investee, certain obligations under finance leases, bonds and other payables.

Geographical information

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

Information about of the Group's non-current assets by geographical location of the assets (excluding available-for-sale investments, pledged bank deposits and loan receivables) are set out below:

	2017	2016
	HK$'000	HK$'000
Hong Kong	**32,299**	40,760
PRC	**385**	158
	32,684	40,918

Revenue from major products and services

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

	2017	2016
	HK$'000	HK$'000
Cold storage and related services:		
- Revenue from cold storage and logistics services	**209,942**	234,344
- Sales of ice	**408**	2,347
Sale of goods from trading and related services	**58,933**	62,173
Interest income from money lending services	**6,210**	6,787
	275,493	305,651

Information about major customers

Revenue from a customer from cold storage and related services contributing over 10% of the total revenue of the Group is as follows:

	2017	2016
	HK$'000	HK$'000
Customer A	**35,645**	55,588

3. OTHER INCOME

	2017	2016
	HK$'000	HK$'000
Bank interest income	**951**	632
Sundry income	**306**	159
	1,257	791

4. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Allowance for trade receivables	**(36)**	(504)
Change in fair value of held for trading investments	**200**	4
(Loss) gain on disposal of property, plant and equipment	**(1)**	7
Impairment loss on property, plant and equipment	**-**	(289)
Impairment loss on goodwill	**(8,513)**	-
Loss on disposal of subsidiaries	**-**	(45)
	(8,350)	(827)

5. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Imputed interest expense on promissory notes	**-**	238
Interest on bonds	**6,000**	6,000
Interest on finance leases	**77**	167
	6,077	6,405

6. TAXATION

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

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

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

7. LOSS FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
- audit service	**950**	930
- non-audit service	**230**	230
Cost of inventories recognised as expenses	**42,620**	44,851
Depreciation for property, plant and equipment	**4,849**	5,224
Net foreign exchange (gain) loss	**(102)**	139
Minimum lease payments for operating leases in respect of rented premises	**101,091**	89,580
Staff costs, including directors' remuneration		
- salaries and other benefits costs	**69,500**	70,693
- retirement benefits scheme contributions	**4,119**	3,807

8. DIVIDEND

No interim dividend was paid during the year (2016: Nil), nor has any dividend been proposed since the end of the reporting period (2016: Nil).

9. LOSS PER SHARE

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

	2017	2016
	HK$'000	HK$'000
Loss for the purpose of basic loss per share, attributable to owners of the Company	**35,351**	12,327

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

No diluted loss per share is presented as there were no potential ordinary shares in issue for years ended 31st December, 2017 and 31st December, 2016.

10. LOAN RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Secured loans	**36,227**	15,037
Unsecured loans	**27,353**	26,856
	63,580	41,893
Less: Amount due within one year and classified under current assets	**(51,318)**	(10,893)
Amount due after one year	**12,262**	31,000

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK$36,227,000 (2016: HK$15,037,000). The directors of the Company consider the exposure of credit risk of the secured receivables, after taking into account the value of the collateral, is insignificant, as the fair value of the collateral (property interests) is higher than the outstanding amount of these receivables at the end of the reporting period. The remaining loan receivables are unsecured.

Secured loan receivables carry fixed-rate interests ranged from 11% to 15% (2016: 11%) per annum and with maturity ranged from 1 year to 3 years (2016: 3 years). Unsecured loan receivables carry fixed-rate interests ranged from 11% to 12% (2016: ranged from 11% to 12%) per annum and with maturity ranged from 6 months to 3 years (2016: ranged from 9 months to 3 years). All amounts of principal will be receivable on respective maturity dates.

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

	2017	2016
	HK$'000	HK$'000
Within one year	**51,318**	10,893
In more than one year but not more than two years	**12,262**	31,000
	63,580	41,893

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

There were no loan receivables past due at the reporting date. The Group reviews the recoverable amount of each individual loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors of the Company believe that there is no allowance or impairment required.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	HK$'000
Trade receivables	**53,567**	58,958
Less: Allowance for doubtful debts	**(549)**	(474)
	53,018	58,484
Other receivables	**1,038**	672
Deposits and prepayments	**5,434**	5,012
	59,490	64,168

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

	2017	2016
	HK$'000	HK$'000
0 - 30 days	**23,374**	24,411
31 - 60 days	**16,944**	18,990
61 - 90 days	**7,052**	8,972
91 - 120 days	**2,671**	6,091
More than 120 days	**2,977**	20
	53,018	58,484

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

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

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$32,243,000 (2016: HK$32,565,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**9,056**	10,142
Accrued for staff costs	**4,890**	6,722
Bond interest payable	**2,992**	2,992
Other payables, deposits received and accrued charges	**11,946**	11,573
	28,884	31,429

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

	2017	2016
	HK$'000	HK$'000
0 - 30 days	**5,862**	5,609
31 - 60 days	**1,932**	1,679
61 - 90 days	**292**	323
91 - 120 days	**14**	1,023
More than 120 days	**956**	1,508
	9,056	10,142

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL RESULTS

For the financial year ended 31st December, 2017, the Group's total revenue amounted to approximately HK$275 million as compared to approximately HK$306 million from the preceding year.

During the period of review, the Group recorded a loss of approximately HK$35.4 million as compared to a loss of approximately HK$12.3 million in 2016.

The losses were primarily attributable to a significant drop in the Group's cold storage business during the year, especially in storage volume. This decline reflected the impact of unfavorable changes in the external environment, where the shrinking intermediary trade and accompanying demand in perishable merchandise dampened customer needs for cold storage facilities and services. Rental fee for the Group's cold storage facilities were raised but the increases were unable to offset the business decline.

As the Group's cold storage business and its logistics business are complementary and closely linked, the latter's performance has also been affected negatively.

FINANCIAL KEY PERFORMANCE INDICATORS

		As at 31 December	
		2017	2016
Loss per share — basic	HK cents	**(1.45)**	(0.51)
Net assets per share attributable to owners of the Company	HK$	**13.77**	15.23
Current ratio	times	**3.17**	3.35
Total liabilities to total assets ratio	times	**0.42**	0.39
Gearing Ratio	%	**45.7%**	39.6%
Return on equity ratio	%	**-16.1%**	-4.8%
Return on assets	%	**-8.4%**	-2.7%
Assets turnover ratio	times	**0.65**	0.68

REVIEW OF OPERATING SEGMENTS

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

Cold storage and related business

Cold storage

Cold chain warehousing is the Group's core business, from which its principal income is derived. The storage rental rates were adjusted upwards last year, but the increased rental income could not cover the business loss from a drop in customer demand.

To a certain extent, the unsatisfactory performance in our cold storage business reflects the rapid expansion of mainland Chinese ports, which offer lower cost and competitive services, is eroding Hong Kong's hitherto tight grip on this industry. Furthermore, the local warehousing and logistics industries were also affected by an official ban on imported meat from Brazil following a food safety scandal early last year.

Logistics

The Group's logistics arm was set up to serve the existing customers of its cold storage segment. Affected by the latter's unsatisfactory performance last year, it was inevitable that the business of our logistics segment also declined slightly. Through effective fleet management and a focus on service quality, the Group has endeavored to enhance its logistics service delivery in the hope of winning new customers.

Industrial ice bars (for construction use)

The macro environment for the Group's industrial ice bar business remained challenging. Intense competition from other ice bar suppliers made it more difficult to source new business in this segment.

Despite the segment's minimal revenue contributions, the Group will monitor the market situation carefully and make the necessary adaptations, with a new marketing plan formulated in 2017 to boost business development.

Trading and related business

The Group continued to supply a variety of dairy products, fruit juice beverage products and Korean snacks to a network of supermarkets and convenience stores in Mainland China. This business segment achieved a slight improvement in 2017.

The deployment of the "THAAD" anti-missile system on the Korean peninsula last year hurt China-South Korea ties, affecting Chinese consumer behavior and demand for Korean products in the process. The massive boycott by consumer groups against Korean products over this incident affected our trading business in Mainland China for a short period.

In view of the rising Chinese demand for imported foreign-themed food and beverage items, the Group is optimistic of its trading and related business segment in the country.

Money lending business

Compared to 2016, the Group's money lending business has generated a stable growth from last year.

Besides continuing to provide loans for its cold storage clients and other customers, the management is identifying and targeting new corporate clients and money lending opportunities to accelerate the business' further growth and profitability.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is primarily engaged in various business segments including cold storage warehousing, logistics, industrial ice bar (for construction use), trading and related business and money lending. The diversified nature of this business portfolio has enabled the Group to spread out its business risks evenly.

Changes in the macroeconomic environment and market demand for its products and services, together with uncertainties in the expiring lease agreements of the warehouses, will exert a material impact on the Group's operational and business performance, which could affect its operating income.

The Group's cold storage warehousing segment is vulnerable to macroeconomic headwinds, which will directly affect market demand for imported products, especially perishable items such as meat, fruits, vegetables and pharmaceuticals. A significant part of the services demand ensues from Hong Kong's dominant role as an entrepot and intermediary trade centre, and this will in turn affect the demand of distributors for cold warehousing for storing temperature-sensitive items.

Another risk that potentially affects the Group's warehousing facilities pertains to the uncertainties of the lease agreements. Our warehousing leases will expire in early 2019, putting pressure on our management to seek renewal or new warehousing locations.

Our logistics segment is directly dependent on the level of demand for our cold storage facilities. Unavoidably, it is subject to the business performance risks of our cold storage warehousing.

To circumvent these primary risks and uncertainties, a number of proposals have been formulated and submitted to senior management for review, further discussion and approval. Critical policy decisions will be made by the Group in a proactive move to seize new business opportunities and leverage on market trends and developments to accelerate its sustainable growth.

PROSPECTS

Looking ahead, Hong Kong is expected to remain in a state of steady growth, supported by the buoyant stock and property markets. Trade is likely to increase on the strengths of positive global economic outlook. Despite the temporary setback to its cold storage segment, the Group is confident that demand for its services will recover and steer the business back to a position of value. Therefore, we will continue to commit investments in our storage infrastructure in order to remain competitive in the long run.

As the lease agreements of our two cold storage warehouses are due to expire in February 2019, negotiations are currently underway for their renewal. Success of renewal will be subject to our assessment of the terms and conditions. Yet, we are exploring other warehousing options as a backup plan. In any case, the Group will strive to ensure disruptions to our clients and our own operations are minimal.

Cold storage and related services

Cold storage and Logistics

Cold storage warehousing is a core segment to the Group for which it generates stable income. Given its strategic importance, we are targeting potential customers with a high inventory turnover rate, while deepening ties with our existing customers to retain their continual patronage.

For several years, the Group has seen high demand for its cold storage facilities, to account for its continual strong business performance especially in 2015, where an over-occupancy rate was recorded.

We serve supplier customers of diversified backgrounds and scales: from premium restaurants serving high-end markets to restaurants and fast food chains serving the mass. With the regain in global economic growth, the Group anticipates that our cold storage business will benefit from the increase in inventory orders in coming years from our customers and their confidence in the catering industry.

Brazilian meat scandal has been absorbed by the market and the mainland market has resumed the import of Brazilian meat. In addition, Mainland China has reduced tariffs on popular imported consumer products to boost domestic spending. Mainland China’s move to cut import tariffs on 187 consumer goods from an average of 17.3% to 7.7%, including pharmaceuticals, food, health supplements and clothing. All these incentives will encourage national consumptions of imported products, and this trend will continue to drive strong demand. We foresee our storage space will benefit as a result.

Industrial ice bars (for construction use)

While likely to continue its stable growth, this business will see increasingly higher operational cost and more intense competition from new entrants to the industry. However, the demand for industrial ice bars is expected to recover as more local flats on disposed sites will be built. According to an official government forecast, the total supply of flats in the coming three to four years will be at a high level of 97,000 units. Moreover, the real-estate sector is likely to continue its pattern of year-on-year growth encompassing residential, commercial and industrial properties, which will foster a greater need for our ice bar products from the construction industry.

Money lending business

Despite Hong Kong's tight regulation of the money-lending business, the Group will strive to tap every opportunity to make further inroads into this lucrative market. To this end, the Group plans to extend its customer base beyond the group of cold storage customers it serves, through more aggressive marketing and other business development initiatives to raise its brand visibility. Still, it will further strengthen its credit control measures and strategies to foster a better balance between risk management and profitability.

Trading and related business

As the Group's trading and related business is still developing, the Group will continue efforts to strengthen its operational efficiency and financial performance in order to profit from Mainland China's vast consumer market.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

The Group has grown its cold storage and logistics businesses into core segments that contribute to its growth significantly. Under its corporate strategy, it still places an unwavering focus on enhancing its business portfolio for a sustainable performance, to include industrial ice bars, money lending and trading and related business as supplementary segments.

Building on the existing strengths of this portfolio, the Group will identify new business and development opportunities in Hong Kong and Mainland China for further expansion. To promote its cold storage and related businesses, its priority is to foster a higher level of operational competence, a higher rate of retention for quality customers and a higher turnover. As before, the Group will offer a one-stop range of cold storage solutions and other warehousing facilities, supported by logistics services that will include transportation, distribution, container hauling and devanning.

While constantly aiming for a stronger profit margin for our core business, we will also set our sights on strengthening other segments, such as food trading and distribution in Mainland China through a suite of market penetration and other business development strategies. Reflecting evolving market needs, we have expanded our product categories and networks to reach a wider base of Chinese consumers for our Korean-style snacks and beverages.

As an established leader in Hong Kong's cold warehousing market, we are well positioned, under the guidance of our corporate strategy and long-term business model, to improve the financial and operational values of all our business segments and see their expansion into Mainland China. We would like to convey our gratitude to our shareholders for their firm support and pledge to optimize their returns.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2017, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 240 and 70 respectively (2016: approximately 240 Hong Kong employees; 70 PRC employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund, staff quarter, lunch box/lunch subsidy and professional tuition/training subsidy for employees' benefit.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31st December, 2017, the Group had cash and bank balances of approximately HK$94.8 million (2016: approximately HK$156.1 million), which was denominated in Hong Kong dollars ("HK$"), Renminbi ("RMB") and United States dollars ("USD") as to 95%, 3% and 2%, respectively. The decrease was mainly due to increase in loan receivables, cash used in increase in pledged bank deposits and the net cash used in operating activities.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 45.7% as at 31st December, 2017 (2016: approximately 39.6%). The increase of the gearing ratio was because of the drop of the equity attributable to owners of the Company.

In 2014, the Group announced for the placement of bonds in an aggregated principal amount of up to HK$500 million within the placing period commencing from 13th November, 2014 and ending on 12th November, 2015. The net proceeds from the issue of the bonds will be utilised as the general working capital of the Group. For further details, please refer to the announcements of the Company dated 13th November, 2014, 26th January and 23rd April, 2015. As at 31st December, 2017, it is noted that the bonds in an aggregate principal amount of HK$100 million have been subscribed by the placees and issued by the Company, which is the same as those as at 31st December, 2016.

During the year under review, the Group's capital expenditure was mainly financed by finance leases and internal resources.

Treasury policies

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

Exposure to fluctuations in exchange rates and related hedges

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

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

Share capital structure

As at 31st December, 2017, the total issued share capital of the Company was HK$24,323,040 divided into 2,432,304,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2016.

Material acquisitions and disposals of subsidiaries and associates

During the year under review, the Group did not have any material acquisitions and disposals of subsidiaries and associates (2016: Nil).

Charges on assets

As at 31st December, 2017, banking facilities, for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3.5 million (2016: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (2016: HK$3.5 million). The amount utilised at 31st December, 2017 was approximately HK$3.5 million (2016: approximately HK$3.5 million).

As at 31st December, 2017, bank deposits of approximately HK$99.5 million (2016: approximately HK$86.5 million) were pledged to a bank, which provides bank guarantee in favour of two landlords for a sum equivalent to 12 months' rent payable by the Group under tenancy agreements.

In addition, the Group's obligations under finance leases were secured by the lessors' charge over the leased assets with carrying value of approximately HK$2.1 million (2016: approximately HK$3.8 million).

Future plans for material investments or capital assets
During the year under review, the Group did not have any concrete future plans for material investments or capital assets (2016: Nil).

Contingent liabilities
During the year under review, the Group did not have any contingent liabilities (2016: Nil).

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2017 (2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2017.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices
The Company has adopted the principles and the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and complied with all the code provisions as set out in the CG Code, except the deviations as stated below.

According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Also, the code provision A.2.7 of the CG Code requirement, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.

Upon the resignation of Mr. Fung Wa Ko as the Chairman on 14th October, 2011, there have been no Chairman in the Company. During the year ended 31st December, 2017, Mr. Au Tat Wai and Mr. Choy Kai Sing acted as the Chief Executive Officer and Chief Financial Officer of the Company respectively. Mr. Au Tat Wai is responsible for all day-to-day corporate management matters and Mr. Choy Kai Sing is responsible for corporate financial matters. Since there is no Chairman in the Company during the year ended 31st December, 2017, there was no meeting held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and arrange for the chairmen of the Audit, Nomination and Remuneration Committees to answer the questions at the general meeting. Since there was no Chairman in the Company during the year ended 31st December, 2017, the Company did not comply with code E.1.2.

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

Model Code for Securities Transactions by Directors

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

Having made specific enquiry of all Directors of the Company, all Directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, namely, Mr. Leung Chi Hung (Chairman), Mr. Fung Siu Kit, Ronny and Mr. Tse Yuen Ming.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year, including the accounting principles and practice adopted by the Group, and discussed matters relating to auditing, risk management and internal control and financial reporting.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE HKExnews AND THE COMPANY

This announcement is published on the HKExnews website at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/daido/index.htm.

The 2017 annual report of the Company containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the websites of the HKExnews and the Company in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises executive directors, namely, Mr. Au Tat Wai, Mr. Choy Kai Sing and Mr. Ho Hon Chung, Ivan; non-executive director, namely, Mr. Fung Wa Ko; and independent non-executive directors, namely, Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming.

By Order of the Board
Daido Group Limited
Au Tat Wai
Executive Director

Hong Kong, 28th March, 2018