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# 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, 2009

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, 2009, together with the comparative figures for the corresponding period in 2008 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*FOR THE YEAR ENDED 31ST DECEMBER, 2009*

| | *NOTES* | **2009** *HK$'000* | 2008 *HK$'000* |
|---|---|---|---|
| Revenue | *3* | **155,236** | 169,292 |
| Direct costs | | **(137,829)** | (149,670) |
| Gross profit | | **17,407** | 19,622 |
| Other income | *4* | **6,194** | 15,802 |
| Selling and distribution expenses | | **(3,927)** | (3,629) |
| Administrative expenses | | **(20,134)** | (20,534) |
| Impairment loss on goodwill | | **-** | (3,200) |
| Impairment loss on available-for-sale investments | *5* | **-** | (48,600) |
| Change in fair value of investment properties | | **900** | (2,500) |
| Adjustment on loans to an investee | *6* | **-** | (61,058) |
| Finance costs | *7* | **(7,333)** | (6,061) |
| Loss before tax | *8* | **(6,893)** | (110,158) |
| Tax credit | *9* | **438** | 332 |
| Loss for the year and total comprehensive expense attributable to owners of the Company | | **(6,455)** | (109,826) |
| Loss per share - basic and diluted | *11* | **HK (0.72) cent** | HK (13.18) cent |

* *For identification purpose only*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*AT 31ST DECEMBER, 2009*

| | NOTES | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Investment properties | | **16,400** | 15,500 |
| Property, plant and equipment | | **22,553** | 25,706 |
| Goodwill | | **8,513** | 8,513 |
| Interest in an associate | | **-** | - |
| Available-for-sale investments | | **88,920** | 88,920 |
| Loans to an investee | | **58,444** | 53,866 |
| Prepayment for acquisition of property, plant and equipment | | **256** | 1,428 |
| Rental deposits paid | | **16,352** | 16,352 |
| Pledged bank deposits | | **68,906** | 68,906 |
| | | **280,344** | 279,191 |
| CURRENT ASSETS | | | |
| Inventories | | **-** | 53 |
| Trade and other receivables | *12* | **32,585** | 34,974 |
| Tax recoverable | | **-** | 217 |
| Bank balances and cash | | **160,687** | 109,008 |
| | | **193,272** | 144,252 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | *13* | **12,595** | 13,120 |
| Tax payable | | **84** | - |
| Obligations under a finance lease | | **58** | 88 |
| Promissory notes | | **4,762** | 4,762 |
| | | **17,499** | 17,970 |
| NET CURRENT ASSETS | | **175,773** | 126,282 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **456,117** | 405,473 |
| CAPITAL AND RESERVES | | | |
| Share capital | | **9,996** | 41,680 |
| Reserves | | **372,723** | 292,467 |
| Equity attributable to owners of the Company | | **382,719** | 334,147 |
| Minority interest | | **4,691** | 2 |
| | | **387,410** | 334,149 |
| NON-CURRENT LIABILITIES | | | |
| Obligations under a finance lease | | **225** | - |
| Amount due to a minority shareholder of a subsidiary | | **24,650** | 25,805 |
| Convertible bonds | | **21,293** | 19,631 |
| Promissory notes | | **22,375** | 25,252 |
| Deferred tax liabilities | | **164** | 636 |
| | | **68,707** | 71,324 |
| | | **456,117** | 405,473 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
*FOR THE YEAR ENDED 31ST DECEMBER, 2009*

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by HKICPA.

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC)-Int 9 & HKAS 39 (Amendments) | Embedded Derivatives |

| | |
|---|---|
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

**New and revised HKFRSs affecting presentation and disclosure only**

***HKAS 1 (Revised 2007) Presentation of Financial Statements***

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

***HKFRS 8 Operating Segments***

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 3).

The Group has not early applied the following new or revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1] |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009[2] |
| HKAS 24 (Revised) | Related Party Disclosures[3] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[1] |
| HKAS 32 (Amendment) | Classification of Rights Issues[4] |
| HKAS 39 (Amendment) | Eligible Hedged Items[1] |
| HKFRS 1 (Amendment) | Additional Exemptions for First-time Adopters[5] |
| HKFRS 1 (Amendment) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6] |
| HKFRS 2 (Amendment) | Group Cash-settled Share-based Payment Transactions[5] |
| HKFRS 3 (Revised) | Business Combinations[1] |
| HKFRS 9 | Financial Instruments[7] |
| HK(IFRIC)-Int 14 (Amendment) | Prepayments of a Minimum Funding Requirement[3] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners[1] |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments[6] |

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2011
[4] Effective for annual periods beginning on or after 1st February, 2010

[5] Effective for annual periods beginning on or after 1st January, 2010
[6] Effective for annual periods beginning on or after 1st July, 2010
[7] Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

There are also changes in the basis of measurement of segment result, segment assets and segment liabilities.

In prior years, segment information report externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. cold storage and logistics services, manufacturing and trading of ice, and property investment). However, information reported to the chief operating decision maker, the board of directors, for the purposes of resource allocation and performance assessment focuses more on the overall performance and accordingly, cold storage and logistics services and manufacturing and trading of ice are analysed into one single segment - cold storage and related services. Property investment is not regarded as an operating segment as its result is not regularly reviewed by the board of directors.

Information regarding the above segment is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

**Segments revenues and results**

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

| | 2009 | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| REVENUE FOR COLD STORAGE AND RELATED SERVICES | **155,236** | 169,292 |
| SEGMENT RESULT FOR COLD STORAGE AND RELATED SERVICES | **3,072** | 1,161 |
| Unallocated income | **5,864** | 15,230 |
| Unallocated expenses | **(9,396)** | (8,330) |
| Impairment loss on available-for-sale investments | **-** | (48,600) |
| Adjustment on loans to an investee | **-** | (61,058) |
| Change in fair value of investment properties | **900** | (2,500) |
| Finance costs | **(7,333)** | (6,061) |
| Loss before tax | **(6,893)** | (110,158) |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by cold storage and related services without allocation of interest income, central administration costs including auditor's remuneration, directors' remuneration, change in fair value of investment properties, impairment loss on available-for-sale investments, adjustment on amount due to a minority shareholder of a subsidiary, adjustment on loans to an investee and finance costs. This is the measure reported to the chief operating decision maker, the board of 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:

| | 2009 | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | |
| Segment assets for cold storage and related services | **78,026** | 85,203 |
| Unallocated assets | **395,590** | 338,240 |
| Consolidated assets | **473,616** | 423,443 |
| **LIABILITIES** | | |
| Segment liabilities for cold storage and related services | **11,257** | 12,245 |
| Unallocated liabilities | **74,949** | 77,049 |
| Consolidated liabilities | **86,206** | 89,294 |

For the purposes of monitoring segment performances and allocating resources:

- all assets are allocated to cold storage and related services other than investment properties, available-for-sale investments, loans to an investee, pledged bank deposits and bank balances and cash. Goodwill is allocated to cold storage and related services; and

- all liabilities are allocated to cold storage and related services other than tax payable and deferred tax liabilities, promissory notes, amount due to a minority shareholder of a subsidiary and convertible bonds.

**Other segment information**

**2009**

| | **Cold storage and related services** *HK$'000* |
|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | |
| Written back of allowance for trade receivables | **(493)** |
| Additions to non-current assets excluding financial instruments | **3,822** |
| Depreciation | **7,025** |
| Gain on disposal of property, plant and equipment | **(127)** |

| | **Unallocated** *HK$'000* |
|---|---|
| Amount regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | |
| Interest revenue | **(5,864)** |
| Interest expense | **7,333** |
| Tax credit | **(438)** |
| Change in fair value of investment properties | **(900)** |

2008

| | Cold storage and related services *HK$'000* |
|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | |
| Allowance for trade receivables | 493 |
| Impairment loss on goodwill | 3,200 |
| Additions to non-current assets excluding financial instruments | 14,210 |
| Depreciation | 6,542 |
| Gain on disposal of property, plant and equipment | (134) |

| | Unallocated *HK$'000* |
|---|---|
| Amount regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets: | |
| Impairment loss on available-for-sale investments | 48,600 |
| Interest revenue | (12,345) |
| Interest expense | 6,061 |
| Tax credit | (332) |
| Change in fair value of investment properties | 2,500 |
| Adjustment on loans to an investee | 61,058 |

**Geographical information**

The Group's operations are located in Hong Kong and the Group's revenue are derived from Hong Kong.

The Group’s non-current assets other than financial instruments are located in Hong Kong.

**Revenue from major product and services**

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Cold storage and logistic services | **152,063** | 165,573 |
| Manufacturing and trading of ice | **3,173** | 3,719 |
| | **155,236** | 169,292 |

**Information about major customers**

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **31,922** | 17,619 |
| Customer B | **21,727** | 33,679 |

4. OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **1,285** | 3,571 |
| Imputed interest income from loans to an investee | **4,579** | 8,774 |
| Gain on disposal of property, plant and equipment | **127** | 134 |
| Adjustment on amount due to a minority shareholder of a subsidiary | **-** | 2,924 |
| Sundry income | **203** | 399 |
| | **6,194** | 15,802 |

5. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

During the year ended 31st December, 2008, the Group recognised the impairment loss on available-for-sale investments amounted to HK$48,600,000 in the consolidated statement of comprehensive income.

At 31st December, 2009, the Group re-assessed the recoverable amount of the available-for-sale investments taking into account the cash flow projections in respect of the hotel resort complex operation and the hotel resort complex based on the assumptions provided by the management of the jointly controlled entity and the carrying values of other assets and liabilities held by Fast Profit Investments Limited. The management of that jointly controlled entity has prepared strategic plans to revive the hotel resort complex operations by injecting new elements and renovation works on the four buildings, namely hotel building, casino building, leisure building and car parking building.

Based on the above cash flow projections and assumptions covering a 5-year period, discount rate of 16.9% (2008: 16.5%) and cash flows beyond 5-year period of a zero growth rate, its recoverable amount exceed the carrying amount of the available-for-sale investments. No further impairment loss on available-for-sale investments was required for current year.

6. ADJUSTMENT ON LOANS TO AN INVESTEE

At 31st December, 2008, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. Accordingly, the outstanding balance of the loans was discounted to HK$53,866,000 in three yearly installments commencing from 2016 using the original effective interest rate of 8.5% per annum. An adjustment of HK$61,058,000 has been charged to the consolidated statement of comprehensive income.

During the year ended 31st December, 2009, the Group re-assessed the future repayment schedule of the outstanding loans and considered that the repayment of the loans will remain to be in three yearly installments commencing from 2016 after taking into account the financial ability of the investees and the project development plan. No further adjustment on loans to an investee was required for current year.

7. FINANCE COSTS

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on obligations under a finance lease | **13** | 10 |
| Imputed interest expense on amount due to a minority shareholder of a subsidiary | **3,534** | 2,193 |
| Imputed interest expense on convertible bonds | **1,662** | 1,534 |
| Imputed interest expense on promissory notes | **2,124** | 2,324 |
| | **7,333** | 6,061 |

8. LOSS BEFORE TAX

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax has been arrived at after charging (crediting): | | |
| Allowance for trade receivables | **-** | 493 |
| Written back of allowance for trade receivables | **(493)** | - |
| Auditor's remuneration | **654** | 630 |
| Cost of inventories sold | **54** | 40 |
| Depreciation for property, plant and equipment | **7,227** | 6,753 |
| Minimum lease payments for operating leases in respect of rented premises | **66,220** | 65,189 |
| Direct expense from investment properties not generating rental income | **517** | 567 |
| Total staff costs (including directors' emoluments) | **42,237** | 39,242 |

9. TAX CREDIT

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The tax credit comprises: | | |
| Hong Kong Profits Tax | | |
| Current year | **59** | - |
| Overprovision in prior years | **(25)** | - |
| Deferred tax | | |
| Current year | **(472)** | (277) |
| Attributable to change in tax rate | **-** | (55) |
| Tax credit | **(438)** | (332) |

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before tax | **(6,893)** | (110,158) |
| Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 16.5%) | **(1,137)** | (18,176) |
| Tax effect of expenses not deductible for tax purpose | **1,266** | 19,671 |
| Tax effect of income not taxable for tax purpose | **(967)** | (2,520) |
| Tax effect of tax losses not recognised | **454** | 719 |
| Tax effect of change in tax rate | **-** | (55) |
| Tax effect on temporary differences not recognised | **-** | 29 |
| Overprovision in respect of prior years | **(25)** | - |
| Others | **(29)** | - |
| Tax credit for the year | **(438)** | (332) |

10. DIVIDEND

No interim dividend is paid during the year (2008: nil).

The directors do not recommend the payment of a dividend for the year (2008: nil).

11. LOSS PER SHARE

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

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the purpose of basic and diluted loss per share | **(6,455)** | (109,826) |

| *Number of shares* | **2009**<br>**'000** | 2008<br>'000<br>*(restated)* |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **892,723** | 833,600 |

The weighted average number of ordinary shares for 2008 and 2009 has been adjusted for share consolidation.

The computation of diluted loss per share for 2008 and 2009 does not assume the conversion of convertible bonds since it will result in a decrease in loss per share.

## 12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK$29,020,000 (2008: HK$31,359,000) with an aged analysis by invoice dates as follows:

| | **2009**<br>***HK$'000*** | 2008<br>*HK$'000* |
|---|---|---|
| 0 - 30 days | **13,873** | 13,623 |
| 31 - 60 days | **10,012** | 10,956 |
| 61 - 90 days | **5,135** | 4,833 |
| 91 - 120 days | **-** | 1,402 |
| More than 120 days | **-** | 545 |
| | **29,020** | 31,359 |

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, and manufacturing and trading of ice. No interest is charged on any outstanding trade receivables.

## 13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$3,655,000 (2008: HK$5,318,000) with an aged analysis as follows:

| | **2009**<br>***HK$'000*** | 2008<br>*HK$'000* |
|---|---|---|
| 0 - 30 days | **2,724** | 3,288 |
| 31 - 60 days | **836** | 1,645 |
| 61 - 90 days | **95** | 383 |
| 91 - 120 days | **-** | 2 |
| | **3,655** | 5,318 |

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, 2009, total turnover of the Group amounted to approximately HK$155 million, down 8% when compared to the previous financial year of approximately HK$169 million. Loss attributable to owners of the Company was approximately HK$6 million, against a loss of approximately HK$110 million in the previous year. The loss in last year was mainly attributable to the impairment loss on the available-for-sales investments of approximately HK$49 million and adjustment on loans to an investee of approximately HK$61 million. Loss per share was HK$0.72 cent, against loss per share of HK13.18 cents in 2008.

The Group is principally engaged in the operation of cold storage and related services, property investment and investment holding.

### BUSINESS REVIEW

**Cold storage and related services**

During the financial year 2009, the Group's core business, the cold storage and related services operation, performed steadily as the sharp rally in the equity and property markets and the gradual recovery in the economy in the second half of the year boosted consumer confidence, spurring consumption demand for frozen food and therefore demand for cold storage by food distributors.

Hong Kong's consumer confidence index ("CCI") jumped 14 points to 93 in the third quarter of 2009 compared with the previous quarter — the highest increase among 54 markets surveyed, according to a Nielsen confidence report released in November 2009.

The CCI rose another 7 points to 100 in the fourth quarter — also the highest increase among 29 markets surveyed, according to another Nielsen report released in January 2010.

The Management's strategic move to convert some non-freezer compartments to freezer compartments, which enjoy stronger demand and higher profit margins, has borne fruit in terms of a higher overall occupancy rate.

The conversion work was implemented in phases, some of which were completed in early 2009 while the rest was completed in July 2009.

Meanwhile, demand for cold storages from food wholesalers (importers and suppliers) became stronger during the second half of the year compared with the first half as they were eager to build up their inventories in order to capitalise on expected increases on food prices amid signs of a perceived inflation along with economic recovery.

According to the latest statistics data from the Census and Statistics Department of Hong Kong ("CSD"), the composite consumer prices index ("CPI") staged a rally from September 2009 after bottoming out in the previous month.

The year-on-year change in the CPI rose gradually to a positive 1.3% in December from a low of negative 1.6% in August 2009, resulting in a 0.5% annual growth for the whole year.

The composite CPI recorded a year-on-year increase in 2009 mainly because of increases in prices of food and private housing rentals, CSD said.

The logistics services operation, which serves most of our cold storage customers, also reported some improvement in the second half of the year after being hit by the economic downturn in early months of the year.

The Group produces edible ice cubes and industrial ice bars for consumption purpose and construction use respectively. The sales of these products decreased during the year, as the construction activities in Hong Kong remain stagnation.

Sales of ice cubes are usually stronger in the second half of a year due to larger demand from the food and catering industries during that period. Meanwhile, the demand for industrial ice bars is usually under the sway of construction activity.

**Investments**

For the Group's investment, the hotel and resort operation in Macau remained in the red due to an unfavourable operating environment.

The global economic downturn that hit the world in 2008 persisted through the first half of 2009, causing a slump in Macau's tourism as indicated by the drop in visitor arrivals.

Data from the Statistics and Census Service of Macau indicated that visitor arrivals in 2009 plunged 5.1% from the previous year to around 21.75 million.

Meanwhile, visitors from Mainland China in 2009, which accounted for 49.6% of the total number of visitor arrivals during the year, declined 5.4% from 2008 to approximately 10.99 million after mainland authorities tightened travel restrictions on mainland visitors since May 2008.

Visitors from South East Asia, who are the major clientele of our hotel, dropped 8.6% to approximately 1.34 million in 2009 from approximately 1.47 million in the previous year as the global economic downturn took its toll in the region as well. Visitors from South East Asia accounted for about 6.2 percent of Macau's total visitor arrivals in 2009.

The decline in visitors aggravated the oversupply of hotels and resorts in Macau, heightening competition among operators in the market.

Data from the Statistics and Census Service of Macau showed that available guest rooms in the hotel sector totalled 19,216 at the end of 2009, an increase of about 10% from 17,490 in 2008. Meanwhile, total gambling tables in Macau stood at 4,770 at the end of 2009, an increase of 18.7% from 4,017 in 2008.

However, the operating loss of the investment narrowed down in the second half of the year as the tourism in Macau gradually recovered along with the economy, and the positive effects of cost-cutting measures implemented by the hotel management in response to the negative operating environment gradually emerged.

In a strategic move to improve the operating performance of the investment, the hotel management undertook major renovation and reconstruction works on the hotel and resort complex that houses its hotel, casino, amenities and car park. As part of the renovation works, the casino has been moved to the hotel building.

The hotel management plans to review the hotel resort complex operations by injecting new elements and renovation works on the four buildings to enhance the competitive advantage in the hospitality industry.

## PLEDGE OF ASSETS

As at 31st December, 2009, banking facilities to the extent of approximately HK$3.5 million (2008: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2008: HK$3.5 million). The amount utilised was approximately HK$3.1 million (2008: HK$3.1 million).

As at 31st December, 2009, bank deposits of approximately HK$65 million (2008: approximately HK$65 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2009, the Group had cash and bank balances of approximately HK$161 million. (2008: approximately HK$109 million). The increase was mainly due to net proceeds of HK$55 million from new shares issued pursuant to placing and subscription arrangements in August 2009. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was 18% as at 31st December, 2009 (2008: 21%).

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low.

During the year, the Group's capital expenditure was principally financed by internal cash generation.

## SHARE CAPITAL STRUCTURE

The total issued share capital of the Company was HK$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK$0.01 each as at 31st December, 2008.

On 14th August, 2009, the Company entered into share placing and subscription arrangements for the placement and subscription of 830,000,000 shares of HK$0.068 each. The share placing and subscription arrangements were completed on 20th August, 2009 and 24th August, 2009 respectively and the net proceeds received was HK$55 million, which is used for general working capital.

For further details, please refer to the announcements of the Company dated 14th August, 2009 and 24th August, 2009.

On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company consolidated into one consolidated share of HK$0.05 (the "**Share Consolidation**"). After completion of the Share Consolidation, the par value of each issued consolidated share is reduced from HK$0.05 to HK$0.01 by cancelling the paid up capital to the extent of HK$0.04 on each issued consolidated share (the "**Capital Reduction**") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009. (collectively the "**Capital Reorganisation**").

The Capital Reorganisation was approved by the shareholders on 23rd November, 2009. For further details, please refer to the announcements of the Company dated 21st October, 2009, 23rd November, 2009, 2nd December, 2009 and 18th December, 2009 respectively and the circular of the Company dated 29th October, 2009.

As a result of the share placing and subscription arrangements and the Capital Reorganisation, the total issued share capital of the Company was HK$9,996,000 divided into 999,600,000 ordinary shares (adjusted for the Share Consolidation that became effective on 24th November, 2009) with a par value of HK$0.01 each (adjusted for the Capital Reduction that became effective on 18th December, 2009) as at 31st December, 2009.

**EMPLOYMENT AND REMUNERATION POLICY**
As at 31st December, 2009, the total number of employees of the Group in Hong Kong was 279 (31st December, 2008: 266 employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subsidies for employees' benefit.

**PROSPECTS**
Looking ahead, the Management is generally optimistic about the prospects for the Group's businesses in the coming year as major economies in the world and the local economy are gradually recovering from their slump in 2008 and in early months of 2009, with the negative impacts of the global financial tsunami basically disappeared.

However, the Group sees some challenges ahead particularly in terms of rising pressure in the operating cost.

**Cold storage and related services**
The Management is optimistic about the prospects for the Group's core business, the cold storage operation, as the recovery in the Hong Kong economy is increasingly gaining momentum.

The improving economic conditions, particularly a stronger labour market, coupled with the positive wealth effect associated with rising asset prices, will likely continue to bolster consumer confidence, boosting demand for frozen foods and therefore demand for cold storage.

Hong Kong's economy has technically ended its four-quarter-long recession after it posted a quarter-on-quarter growth in the three months ended June 2009. The economy continued to strengthen since then, with the gross domestic product ("GDP") expanding by 2.6% in the fourth quarter of 2009 in real terms over a year earlier, its first year-on-year positive growth in five quarters. Along with the economic recovery, the unemployment situation improved steadily, falling back to 4.9% at the end of 2009, below the 5% mark for the first time since early 2009.

Furthermore, expectations for accelerated inflation along with the economy recovery will likely prompt food wholesalers to build up their inventories to capitalise an expected food prices uptrend in the future, further boosting demand for the Group's cold storage services.

The Management is confident that the Group can sustain a high occupancy rate for its cold storage facilities in the coming year, given the rising demand for its services.

However, the higher electricity tariff, staff cost and other operating costs for this year may weigh on the profit margins of the cold storage business.

The market outlook for industrial ice bars remains positive as construction works on a number of large-scale public infrastructure projects have commenced and are expected to last several years. For example, construction work on the Hong Kong-Zhuhai-Macau Bridge commenced in December 2009 and is scheduled for completion by 2016. Construction work on the New Cruise Terminal at Kai Tak has also commenced in December 2009 while construction works on other mega infrastructure projects such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link are expected to start in coming years. The government's decision to speed up reconstruction works in old districts also bodes well for demand of industrial ice bars.

Meanwhile, the ice cube business is expected to remain stable as the Group has entered into an agreement with its sole buyer, under which the buyer undertakes to procure a certain volume of ice cubes from the Group annually.

**Investments**
The Group expects to see further improvements in the operation of its hotel and resort investment in Macau as the local tourism has shown early signs of recovery.

Information from the Statistics and Census Service of Macau indicated that total visitor arrivals increased by 6.7% year-on-year to 2,035,857 in December 2009, with mainland visitors jumping 17.8% year-on-year to 1,010,689.

Total visitor arrivals in January 2010 continued to rebound, posting another 6.8% year-on-year increase to 2,046,556. In the same month, visitors from the Mainland China surged 18.9% from the same month last year to 1,131,660.

Meanwhile, the renovation and reconstruction works on the hotel and resort complex will help expand its business scope, save operating costs and boost revenue.

On 11th February, 2010, the Group entered into an agreement with a third party to sell the investment properties in the Hunghom Commercial Centre in Hunghom, Kowloon for a total consideration of HK$20 million.

The Group also expects to reflect a positive change in fair value of the investment properties at the completion of the transaction, which shall take place within 12 months from the date of the agreement. The investment properties have been licensed to the buyer for a monthly licence fee of HK$45,000 or 50% of the monthly net turnover, whichever is higher, from 11th February 2010 for 12 months or until the completion of the transaction, whichever is earlier.

The group believes that the disposal of the investment properties is in the interest of the Group and its shareholders as a whole. It will help enhance the Group's liquidity.

For further details, please refer to the announcement of the Company dated 11th February, 2010.

The management will continue to strengthen its main operations and expedite the business growth by exploring any new business opportunities to maximise shareholders' value. The Group is confident about its future and is ready to take on new challenges in 2010.

## DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2009 (2008: 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, 2009.

## CORPORATE GOVERNANCE

### Code on Corporate Governance Practices
The Company has applied and complied the principles of the code provision and certain recommended best practices under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2009, except for the deviations as stated below.

Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Fung Wa Ko was appointed as an Executive Director and Chief Executive Officer of the Company in October 2003 and has become the Chairman of the Company in August 2006, who is responsible for managing the Board and the Group's business. The Board considers that Mr. Fung has strong expertise and excellent insight of the business development, corporate management and budget control, he has led to more effective implementation of the overall strategy and ensured smooth operation of the Company. While following the re-designation of Mr. Fung as a Non-executive Director of the Company and resignation of the Chief Executive Officer of the Company on 15th September, 2009 and the Board considered to maintain the effectiveness of the Group's corporate governance structure, the Board has appointed Mr. Au Tat Wai as an Executive Director and the Chief Executive Officer of the Company on the same date. In respect of the aforesaid changes, the roles of Chairman and Chief Executive Officer of the Company have been separately performed and the division of responsibilities between the Chairman and Chief Executive Officer of the Company has been clearly set out that Mr. Fung Wa Ko has remained to serve as the Chairman and is responsible for providing leadership for the Board, and Mr. Au Tat Wai has served as the Chief Executive Officer and is responsible for all day-to-day corporate management matters.

Pursuant to the code provision A.4.1 of the CG Code, non-executive director should be appointed for a specific term of service.

While there is no service contract was entered into between the Non-executive Director of the Company, Mr. Fung Wa Ko, and the Company for a specific term of service but his appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Bye-Laws of the Company.

Each of Independent Non-executive Director of the Company has entered into a service contract for an initial period of one year and continues thereafter unless and until terminated by either party given the other not less than three months' notice but they are also subject to retirement by rotation and re-election under the Bye-Laws of the Company, so as to comply with code provision A.4.1.

**Internal Controls**

During the year ended 31st December, 2009, the Company has carried out the review and re-test of the internal control implementation of account receivable, account payable and petty cash handling process, ice production and selling, and administration process of several departments, such as manufacturing and trading of ice department, accounting department, cargo department and administrative department.

The re-test results of the above operation areas were satisfied by the Board except a number of control weaknesses in the accuracy measurement in the control effectiveness of ice production and selling. In order to improve the accuracy measurement, the main control implementation is focused on the quantity record of ice and the segregation of duties from inputting data, issuing invoice and delivering of goods to avoid any deficiency.

In addition, the Company has examined the internal control effectiveness in engineering & maintenance department and sales & marketing department during the year. For engineering & maintenance department, it focused on strengthening safety and compliance awareness of the engineering staff and proper implementation of machine maintenance procedure.

Furthermore, the key internal control area of sales & marketing department is to review the new client account opening procedure and the client price adjustment approval procedure.

All the internal control review findings and recommendations of internal control weaknesses have been reported to the Board and the Audit Committee. The Board and the Audit Committee considered that no significant deficiency which may affect Shareholders was found and considered that the internal control system is effective and adequate. Accordingly, all recommendations of those control weaknesses will be properly followed up to ensure that they are implemented within a reasonable period of time.

**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 (the "Model Code") contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy"). The Company has revised the Security Dealing Policy in order to comply with the amendment of the Model Code with effect from 1st January, 2009 (including further minor amendment with effect from 1st April, 2009), the revised Security Dealing Policy was amended accordingly and was ratified by the Board on 12th February, 2009 and 8th April, 2009 respectively.

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, internal controls 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 comprehensive income and the related notes thereto for the year ended 31st December, 2009 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 STOCK EXCHANGE AND THE COMPANY

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

The 2009 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 Stock Exchange 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, Mr. Ho Hon Chung, Ivan and Mr. Tang Tsz Man, Philip; 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 of
**Daido Group Limited**
**Fung Wa Ko**
*Chairman*

Hong Kong, 31st March, 2010