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, 2010

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, 2010, together with the comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
Revenue	*3*	**178,080**	155,236
Direct costs		**(153,338)**	(137,829)
Gross profit		**24,742**	17,407
Other income	*4*	**6,840**	6,194
Selling and distribution expenses		**(4,438)**	(3,927)
Administrative expenses		**(20,657)**	(20,134)
Change in fair value of investment properties		**3,100**	900
Finance costs	*5*	**(7,104)**	(7,333)
Profit (loss) before tax		**2,483**	(6,893)
Income tax	*6*	**(80)**	438
Profit (loss) for the year and total comprehensive income (expense) attributable to owners of the Company	*7*	**2,403**	(6,455)
Earnings (loss) per share - basic and diluted	*9*	**HK 0.24 cents**	HK (0.72) cent

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2010

	NOTES	**2010** *HK$'000*	2009 *HK$'000*
NON-CURRENT ASSETS			
Investment properties		**-**	16,400
Property, plant and equipment		**20,689**	22,553
Goodwill		**8,513**	8,513
Available-for-sale investments		**88,920**	88,920
Loans to an investee		**63,412**	58,444
Financial assets at fair value through profit or loss		**7,767**	-
Prepayment for acquisition of property, plant and equipment		**70**	256
Rental deposits paid		**16,352**	16,352
Pledged bank deposits		**68,906**	68,906
		274,629	280,344
CURRENT ASSETS			
Trade and other receivables	*10*	**41,528**	32,585
Bank balances and cash		**153,561**	160,687
		195,089	193,272
Assets classified as held for sale		**19,500**	-
		214,589	193,272
CURRENT LIABILITIES			
Trade and other payables	*11*	**23,254**	12,595
Tax payable		**39**	84
Obligations under finance leases		**148**	58
Convertible bonds		**23,096**	-
Promissory notes		**4,762**	4,762
		51,299	17,499
NET CURRENT ASSETS		**163,290**	175,773
TOTAL ASSETS LESS CURRENT LIABILITIES		**437,919**	456,117
CAPITAL AND RESERVES			
Share capital		**9,996**	9,996
Reserves		**375,126**	372,723
Equity attributable to owners of the Company		**385,122**	382,719
Non-controlling interests		**8,120**	4,691
		393,242	387,410
NON-CURRENT LIABILITIES			
Obligations under finance leases		**471**	225
Amount due to non-controlling interests of a subsidiary		**24,594**	24,650
Convertible bonds		**-**	21,293
Promissory notes		**19,284**	22,375
Deferred tax liabilities		**328**	164
		44,677	68,707
		437,919	456,117

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

In the current year, the Group has applied the following new and revised Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations and HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
[2] Effective for annual periods beginning on or after 1st July, 2010
[3] Effective for annual periods beginning on or after 1st July, 2011
[4] Effective for annual periods beginning on or after 1st January, 2013
[5] Effective for annual periods beginning on or after 1st January, 2012
[6] Effective for annual periods beginning on or after 1st January, 2011
[7] Effective for annual periods beginning on or after 1st February, 2010

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the new Standard will affect the classification and measurement of the Group’s available-for-sale investments and have potential impact on financial assets at FVTPL. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. As the investment properties are classified as assets held for sale as at 31st December, 2010, the deferred tax liabilities have been determined based on the fact that the investment properties will be recovered through sale subsequent to the end of reporting date.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the 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.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and designated financial assets at FVTPL, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Business combination that took place prior to 1st January, 2010

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the relevant conditions for recognition where generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses 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 Group's reportable segment under HKFRS 8 is reported below.

Segments revenues and results

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

	2010 *HK$'000*	2009 *HK$'000*
REVENUE FOR COLD STORAGE AND RELATED SERVICES	**178,080**	155,236
SEGMENT RESULT FOR COLD STORAGE AND RELATED SERVICES	**9,277**	3,072
Unallocated income	**6,422**	5,864
Unallocated expenses	**(9,212)**	(9,396)
Change in fair value of investment properties	**3,100**	900
Finance costs	**(7,104)**	(7,333)
Profit (loss) before tax	**2,483**	(6,893)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by cold storage and related services without allocation of interest income, sundry income, central administration costs including auditor's remuneration, directors' remuneration, change in fair value of investment properties 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:

	2010 *HK$'000*	2009 *HK$'000*
ASSETS		
Segment assets for cold storage and related services	**80,919**	78,026
Unallocated assets	**408,299**	395,590
Consolidated assets	**489,218**	473,616
LIABILITIES		
Segment liabilities for cold storage and related services	**14,425**	11,257
Unallocated liabilities	**81,551**	74,949
Consolidated liabilities	**95,976**	86,206

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, financial assets at fair value through profit or loss, 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

- all liabilities are allocated to cold storage and related services other than tax payable and deferred tax liabilities, promissory notes, amount due to non-controlling interests of a subsidiary, convertible bonds, and certain other payables.

Other segment information

	Cold storage and related services	
	2010	2009
	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:		
Additions to non-current assets excluding financial instruments	**4,222**	3,822
Depreciation	**5,981**	7,025
Gain on disposal of property, plant and equipment	**(236)**	(127)
Written back of allowance for trade receivables	-	(493)

	Unallocated	
	2010	2009
	HK$'000	HK$'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	**(5,987)**	(5,864)
Interest expense	**7,104**	7,333
Tax charge / (credit)	**80**	(438)
Change in fair value of investment properties	**(3,100)**	(900)

Geographical information

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

Most of 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:

	2010	2009
	HK$'000	*HK$'000*
Cold storage and logistic services	**174,143**	152,063
Manufacturing and trading of ice	**3,937**	3,173
	178,080	155,236

Information about major customers

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

	2010	2009
	HK$'000	*HK$'000*
Customer A	**37,665**	31,922
Customer B	**25,153**	21,727

4. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**1,019**	1,285
Imputed interest income from loans to an investee	**4,968**	4,579
Gain on disposal of property, plant and equipment	**236**	127
Sundry income	**617**	203
	6,840	6,194

5. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Interest on obligations under finance leases	**19**	13
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**3,373**	3,534
Imputed interest expense on convertible bonds	**1,803**	1,662
Imputed interest expense on promissory notes	**1,909**	2,124
	7,104	7,333

6. INCOME TAX

	2010	2009
	HK$'000	*HK$'000*
The tax charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	**-**	59
Overprovision in prior years	**(84)**	(25)
Deferred tax		
Current year	**164**	(472)
Tax charge (credit)	**80**	(438)

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

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

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) before tax	**2,483**	(6,893)
Tax at the Hong Kong Profits Tax rate of 16.5%	**410**	(1,137)
Tax effect of expenses not deductible for tax purpose	**1,197**	1,266
Tax effect of income not taxable for tax purpose	**(1,498)**	(967)
Tax effect of tax losses not recognised	**171**	454
Tax effect of temporary differences not recognised	**105**	-
Utilisation of tax losses previously not recognised	**(242)**	-
Overprovision in respect of prior years	**(84)**	(25)
Others	**21**	(29)
Tax charge (credit) for the year	**80**	(438)

7. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Written back of allowance for trade receivables	**-**	(493)
Auditor's remuneration	**664**	654
Cost of inventories sold	**-**	54
Depreciation for property, plant and equipment	**6,215**	7,227
Minimum lease payments for operating leases in respect of rented premises	**66,220**	66,220
Gross rental income from investment properties	**(435)**	-
Less: Direct expense from investment properties	**110**	517
	(325)	517
Total staff costs (including directors' emoluments)	**45,256**	42,237

8. DIVIDEND

No interim dividend is paid during the year (2009: nil).

The directors do not recommend the payment of a dividend for the year (2009: nil).

9. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	**2,403**	(6,455)

	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**999,600**	892,723

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

The computation of diluted earnings/loss per share for 2009 and 2010 does not assume the conversion of outstanding convertible bonds since their conversion would result in an increase/a decrease in earnings/loss per share.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK$33,521,000 (2009: HK$29,020,000) and amount due from non-controlling interest of a subsidiary of HK$2,368,000 (2009: Nil). The amount due from non-controlling interest is unsecured, interest free and repayable on demand.

The aged analysis of trade receivables by invoice dates are as follows:

	2010	2009
	HK$'000	*HK$'000*
0 - 30 days	**15,276**	13,873
31 - 60 days	**11,936**	10,012
61 - 90 days	**6,299**	5,135
91 - 120 days	**7**	-
More than 120 days	**3**	-
	33,521	29,020

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.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$5,218,000 (2009: HK$3,655,000) and amount due to non-controlling interest of a subsidiary of HK$6,958,000 (2009: Nil). The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

The aged analysis presented based on the invoice date are as follows:

	2010	2009
	HK$'000	*HK$'000*
0 - 30 days	**3,646**	2,724
31 - 60 days	**1,487**	836
61 - 90 days	**85**	95
	5,218	3,655

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, 2010, total revenue of the Group amounted to approximately HK$178 million, up approximately 15% when compared to approximately HK$155 million in the previous financial year.

Net profit attributable to owners of the Company was approximately HK$2 million, compared with a net loss of approximately HK$6 million in the previous year. The turnaround was mainly attributable to the growth in revenue and gross profit from the cold storage and related services business. Earnings per share was HK 0.24cents.

The overall results are in line with Management’s expectations as envisaged in the interim report.

The Group is principally engaged in the operations of cold storage and related services, property investment, investment holding and operation of karaoke outlet (“KTV”) in Mainland China.

BUSINESS REVIEW

Cold storage and related services

During the financial year, the Group’s core business, the cold storage and related services operation, had an encouraging performance, thanks to favourable external factors as well as sound internal strategies.

The performance of this business segment benefited from the Management’s strategic move of converting some non-freezer compartments to freezer compartments in terms of higher profit margins and a higher overall occupancy rate, as freezer compartments enjoyed stronger demand in general. The benefit from this strategic move has been increasing and reflected on the annual results after the completion of the conversion work in August 2009.

Meanwhile, demand for cold storage services in Hong Kong grew, driven by stronger demand for frozen food as the recovery in the global economy in general and in the Hong Kong economy in particular accelerated during the year, rebuilding consumer confidence which was damaged by the global financial tsunami erupted in 2008.

The Hong Kong economy staged a broad-based expansion in 2010, with the gross domestic product (“GDP”) growing robustly by 6.8%, more than offsetting the 2.7% contraction in 2009, according to the data from the Census and Statistics Department (“C&SD”).

Along with the economic recovery, Hong Kong’s consumer confidence continued to build momentum, with the headline consumer confidence index (“CCI”) hitting a two-year high of 103 points in the third quarter of 2010, driven by a more positive outlook for the job market, according to a Nielsen confidence report released in November 2010. Correspondently, the global consumer confidence also improved, reaching 93 points in the second quarter of 2010, the highest level since the third quarter of 2007, according to Nielsen’s confidence reports.

Furthermore, due to the import policy implemented by the Chinese Government, the demand for cold storage from Hong Kong importers also grew.

According to the data from the C&SD, the total port cargo throughput had a year-on-year increase of 10.2% in 2010. The uptrend is likely to sustain due to the positive signs of local and global economic growth.

The Group’s logistics services operation, which mainly serves our cold storage customers, also posted a positive growth during the year. As the existing capacity of cold storage is not enough to meet demand from all customers, the Group provided logistic services to cold storage customers by helping them for transferring of goods. This helped boosted the Group’s overall profit margins in this business segment.

The Group produces edible ice cubes for consumption purpose and industrial ice bars for construction use.

The ice cubes business remained stable, contributing positively to the Group's overall performance, with both the sales volume and the selling price posting increase as compared to the previous year.

The sales of industrial ice bars were a bit sluggish during the year as ice cubes have been increasingly used in construction works as well, curbing the demand for industrial ice bars and fueling competition in the sector.

Investments

For the Group's investments in Macau, the operating loss has narrowed down, thanks to the booming inbound tourism in the gambling enclave.

Visitor arrivals totaled approximately 24.97 million in 2010, increased by 14.8% year-on-year as compared with the approximately 21.76 million in 2009, according to data from the Macau Government Tourism Office ("MGTO").

Visitors from the Mainland China, who are one of the major client groups of our hotel, jumped 20.4% year-on-year to approximately 13.23 million in the year from approximately 10.99 million in 2009.

In a strategic move to improve the operating performance of the hotel resort and enhance its competitive advantage in the Macau hospitality industry, the hotel management undertook major renovation and reconstruction works on the hotel resort complex that houses its hotel, casino, amenities and car park. The renovation and reconstruction works are progressing smoothly.

PLEDGE OF ASSETS

As at 31st December, 2010, banking facilities to the extent of HK$3.5 million (2009: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2009: HK$3.5 million). The amount utilised at 31st December, 2010 was approximately HK$3.1 million (2009: approximately HK$3.1 million)

As at 31st December, 2010, bank deposits of approximately HK$65 million (2009: 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, 2010, the Group had cash and bank balances of approximately HK$154 million (2009: HK$161 million). The decrease was mainly due to the purchase of financial assets at fair value through profit or loss. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 11% as at 31st December, 2010 (2009: approximately 18%). The decrease was mainly due to the re-classification of convertible bonds from non-current liabilities to current liabilities as at 31st December, 2010.

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 financed by internal cash generation.

SHARE CAPITAL STRUCTURE

As at 31st December, 2010, there was no change in the total issued share capital of the Company, HK$9,996,000 divided into 999,600,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2009.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2010, the total number of full time employees of the Group in Hong Kong was 271 (31st December, 2009: 279 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 subside for employees' benefit.

PROSPECTS

Looking ahead into the new financial year, the Management remains generally optimistic about the prospect for the Group's operations as the global economy in general has shaken off the negative impact of the global financial tsunami that struck the world in 2008, and is on course to full recovery; while the Hong Kong economy in particular has recouped all of its loss ground during the slump in 2008 and 2009.

The Group's core cold storage business will continue to benefit from increasingly growing demand for frozen foods, as the consumer confidence persistently strengthens along with improving conditions in the labour market and robust growth in the economy.

The Hong Kong economy is forecast to expand at a relatively strong pace of about 4%-5% in 2011, benefiting from the robust growth sustained by Mainland China and other Asian economies, the Hong Kong government said in its 2011-2012 Budget released in February 2011.

Hong Kong's unemployment rate fell further to 3.8% in the three-month period between November 2010 and January 2011, the lowest in more than two years, according to the data from the C&SD.

Nonetheless, the Management sees some challenges ahead particularly in terms of rising pressure on operating costs - including higher labour cost, higher oil prices and increases in rentals - which may weigh on the profit margins.

However, price adjustments for the cold storage and related services implemented in January 2011 have helped mitigate the pressure on profit margins.

The outlook for ice cubes and industrial ice bars for construction sector remains positive as construction works on a number of large-scale public infrastructure projects, including the Hong Kong-Zhuhai-Macau Bridge, the New Cruise Terminal at Kai Tak and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, have commenced and are expected to last several years. Meanwhile, the on-going boom in the property market will likely lead to acceleration in residential project development by developers, further boosting the demand for ice cubes and industrial ice bars.

However, stricter regulations on edible ice cubes to be implemented by the authority may entail additional investment for the company to upgrade its facilities. The Management will evaluate the economic benefit of such potential investment as well as the impact of the new regulations, which should be minimal - if any at all - as the edible ice cubes business only contribute an insignificant sum of the revenue from the cold storage and related services operation.

The Management also remains optimistic about the prospect for the Group's investment in the hotel resort operation in Macau as the inbound tourism in Macau continues to prosper, with more and more mainland visitors traveling to the city after the Chinese government implemented and enlarged its Individual Visit Scheme ("IVS"), which allows mainland residents to travel to Macau and Hong Kong on an individual basis without the need of joining a tour group. The IVS scheme was first introduced in four Guangdong cities on 28th July, 2003 and has expanded since implementation to 49 Mainland China cities.

In addition, the strategic move of changing part of the amenity building space to guest rooms will better serve gambling customers, and therefore will hopefully attract more customers.

Furthermore, the Management believes that the opening of Galaxy Entertainment Group's mega resort project, Galaxy Macau, in Macau's Cotai Strip in May 2011 will likely attract more visitors to the area, benefiting nearby businesses including Grand Waldo Hotel.

The Group has diversified its core businesses into KTV operation in Mainland China by setting up sino-foreign equity joint ventures in December 2010. The first KTV outlet will be opened in Beijing, China. The management believed that the operation of KTV business in Mainland China offers potential benefits to the Group and the shareholders as a whole.

For details on the lease of the first KTV outlet, please refer to the announcement of the Company dated 5th January, 2011.

In its pursuit of sustainable business growth, the Management will continue to providently explore potential investment opportunities while prudently operates the Group's existing businesses.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2010 (2009: 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, 2010.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

The Company has applied and complied with 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, 2010, except for the deviation as stated below.

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 was no service contract entered into between the non-executive director of the Company, Mr. Fung Wa Ko, and the Company for a specific term of service, his appointment is subject to retirement by rotation and he will offer 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, 2010, the Company has carried out the review in certain areas, including: new client account opening procedure, warehousing procedure, client ordering procedure and cash payment receiving procedure of cold storage department and logistics services department.

The results of review in warehousing procedure and cash payment receiving procedure were shown satisfactory. Nevertheless, in the review of the internal control effectiveness in other procedure of cold storage department, the deficiency findings were identified, such as insufficient control in setting a time-limit of temporary storage goods; and periodical review and updating client's record and status.

Furthermore, there is room for improvement for some key areas of logistics services department's internal control systems. It is recommended that areas of responsibility of each operational unit are clearly defined and systematic operation procedures are set up to avoid any deficiency.

Having conducted the test in the fixed assets purchase and disposal procedure in the first half of 2010, the Company also proceeded the retest in the same area in the second half of 2010. In addition, during the year ended 31st December, 2010, the Company has reviewed the bank balances and cash arrangement, bookkeeping and management account reporting in order to ensure the effectiveness of the accounting system and accuracy of accounting information. Those results of review were satisfactory.

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 for improvements 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 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, 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, 2010 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 2010 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, 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, 25th March, 2011