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, 2016

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, 2016, together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2016

	NOTES	**2016** **HK$'000**	2015 HK$'000
Revenue	2	**305,651**	275,783
Direct costs		**(245,706)**	(226,661)
Gross profit		**59,945**	49,122
Other income	3	**791**	2,161
Selling and distribution expenses		**(16,198)**	(13,251)
Administrative expenses		**(41,686)**	(33,547)
Other gains and losses	4	**(827)**	616
Share of loss of a joint venture		**(7,947)**	(3,875)
Finance costs	5	**(6,405)**	(7,670)
Loss before tax		**(12,327)**	(6,444)
Taxation	6	**–**	–
Loss for the year	7	**(12,327)**	(6,444)

* *For identification purpose only*

	NOTES	2016 HK$'000	2015 HK$'000
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(682)**	(730)
Total comprehensive expense for the year		**(13,009)**	(7,174)
Loss for the year attributable to:			
Owners of the Company		**(12,327)**	(6,444)
Non-controlling interests		**–**	–
		(12,327)	(6,444)
Total comprehensive expense attributable to:			
Owners of the Company		**(13,009)**	(7,174)
Non-controlling interests		**–**	–
		(13,009)	(7,174)
Loss per share - basic	9	**(HK0.51 cent)**	(HK0.26 cent)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2016

	NOTES	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,555**	14,482
Goodwill		**8,581**	8,581
Interest in a joint venture		–	7,947
Available-for-sale investment		**38,502**	38,502
Rental deposits paid		**21,782**	21,783
Pledged bank deposits		**90,005**	90,000
Loan receivables	10	**31,000**	54,650
		200,425	235,945

	NOTES	2016 HK$'000	2015 HK$'000
CURRENT ASSETS			
Inventories		**738**	2,200
Trade and other receivables, deposits and prepayments	11	**64,168**	62,057
Loan receivables	10	**10,893**	20,779
Amount due from non-controlling interests of a subsidiary		**9,760**	9,760
Held for trading investments		**702**	698
Bank balances and cash		**156,060**	125,214
		242,321	220,708
CURRENT LIABILITIES			
Trade and other payables	12	**31,429**	25,641
Amount due to an investee		**39,042**	39,042
Obligations under finance leases		**1,853**	1,924
Promissory notes		–	4,762
		72,324	71,369
NET CURRENT ASSETS		**169,997**	149,339
TOTAL ASSETS LESS CURRENT LIABILITIES		**370,422**	385,284
CAPITAL AND RESERVES			
Share capital		**24,323**	24,323
Share premium and reserves		**230,291**	243,300
Equity attributable to owners of the Company		**254,614**	267,623
Non-controlling interests		**14,923**	14,923
		269,537	282,546
NON-CURRENT LIABILITIES			
Obligations under finance leases		**885**	2,738
Bonds		**100,000**	100,000
		100,885	102,738
		370,422	385,284

1. APPLICATION OF NEW AND AMENDMENTS TO 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 HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

The application of these 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.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers and Related Amendments[2]
HKFRS 16	Leases[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]

[1] Effective for annual periods beginning on or after 1st January, 2017
[2] Effective for annual periods beginning on or after 1st January, 2018
[3] Effective for annual periods beginning on or after 1st January, 2019
[4] Effective for annual periods beginning on or after a date to be determined
[5] Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial Instruments" Recognition and Measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investment, which are currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfilment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has as lessee non-cancellable operating lease commitments of approximately HK$211,574,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except as described above, the directors of the Company do not anticipate that the application of other new and amendments to HKFRSs will have a material effect on the amounts recognised in 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, 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)**

For the year ended 31st December, 2015

	Cold storage and related services HK$'000	Trading and related services HK$'000	Money lending services HK$'000	Total HK$'000
Revenue	227,890	42,403	5,490	275,783
Segment profit (loss)	21,238	(11,059)	1,179	11,358
Unallocated income				2,161
Unallocated expenses				(8,282)
Change in fair value of held for trading investments				(136)
Share of loss of a joint venture				(3,875)
Finance costs				(7,670)
Loss before tax				(6,444)

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:

	2016	2015
	HK$'000	HK$'000
SEGMENT ASSETS		
Cold storage and related services	**91,273**	87,639
Trading and related services	**11,740**	11,714
Money lending services	**41,906**	75,439
Total segment assets	**144,919**	174,792
Unallocated assets	**297,827**	281,861
Consolidated assets	**442,746**	456,653
SEGMENT LIABILITIES		
Cold storage and related services	**20,459**	19,555
Trading and related services	**8,493**	5,745
Money lending services	**44,111**	75,262
Total segment liabilities	**73,063**	100,562
Unallocated liabilities	**100,146**	73,545
Consolidated liabilities	**173,209**	174,107

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

- all assets are allocated to operating segments other than available-for-sale investment, interest in a joint venture, 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

- all liabilities are allocated to operating segments other than amount due to an investee, promissory notes, 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 investment, pledged bank deposits and loan receivables) are set out below:

	2016	2015
	HK$'000	HK$'000
Hong Kong	**40,760**	44,237
PRC	**158**	8,556
	40,918	52,793

Revenue from major products and services

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

	2016	2015
	HK$'000	HK$'000
Cold storage and logistic services:		
- Revenue from cold storage and logistic services	**234,344**	223,873
- Sales of ice	**2,347**	4,017
Sale of goods from trading and related services	**62,173**	42,403
Interest income from money lending services	**6,787**	5,490
	305,651	275,783

Information about major customer

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

	2016	2015
	HK$'000	HK$'000
Customer A	**55,588**	45,848

3. OTHER INCOME

	2016	2015
	HK$'000	HK$'000
Bank interest income	**632**	567
Sundry income	**159**	576
Government subsidy	**-**	1,018
	791	2,161

4. OTHER GAINS AND LOSSES

	2016 HK$'000	2015 HK$'000
Allowance for trade receivables	**(504)**	(517)
Change in fair value of held for trading investments	**4**	(136)
Gain on disposal of property, plant and equipment	**7**	1,269
Impairment loss on property, plant and equipment	**(289)**	-
Loss on disposal of subsidiaries	**(45)**	-
	(827)	616

5. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Bond placing commission	**-**	1,600
Imputed interest expense on promissory notes	**238**	569
Interest on bonds	**6,000**	5,256
Interest on finance leases	**167**	245
	6,405	7,670

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

	2016 HK$'000	2015 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Auditor's remuneration		
- audit service	**930**	930
- non-audit service	**230**	230
Cost of inventories recognised as expenses	**44,851**	31,538
Depreciation for property, plant and equipment	**5,224**	4,950
Net foreign exchange loss (gain)	**139**	(126)
Minimum lease payments for operating leases in respect of rented premises	**89,580**	88,631
Total staff costs (including directors' emoluments)	**74,500**	65,686

8. DIVIDEND

No interim dividend was paid during the year (2015: Nil), nor has any dividend been proposed since the end of the reporting period (2015: 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:

	2016	2015
	HK$'000	HK$'000
Loss for the purpose of basic loss per share, attributable to owners of the Company	**12,327**	6,444

	'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, 2016 and 31st December, 2015.

10. LOAN RECEIVABLES

	2016	2015
	HK$'000	HK$'000
Secured loans	**15,037**	58,593
Unsecured loans	**26,856**	16,836
	41,893	75,429
Less: Amount due within one year and classified under current assets	**(10,893)**	(20,779)
Amount due after one year	**31,000**	54,650

The Group holds collateral of some property interests located in Hong Kong over secured loan receivables of HK$15,037,000 (2015: HK$58,593,000). 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 at 11% (2015: ranged from 11% to 22%) per annum and with maturity of 3 years (2015: 6 months to 20 years). Unsecured loan receivables carry fixed-rate interests ranging from 11% to 12% (2015: at 11%) per annum and with maturity ranged from 9 months to 3 years (2015: 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:

	2016	2015
	HK$'000	HK$'000
Within one year	**10,893**	20,779
In more than one year but not more than two years	**31,000**	391
In more than two years but not more than five years	**-**	32,464
In more than five years	**-**	21,795
	41,893	75,429

Before accepting any new borrower, the Group carries out research on the creditability of the new borrower and assesses the potential borrower'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

	2016	2015
	HK$'000	HK$'000
Trade receivables	**58,958**	51,710
Less: allowance for doubtful debts	**(474)**	(1,832)
	58,484	49,878
Other receivables	**672**	229
Deposits and prepayments	**5,012**	11,950
	64,168	62,057

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 approximated the respective revenue recognition dates.

	2016	2015
	HK$'000	HK$'000
0 - 30 days	**24,411**	22,272
31 - 60 days	**18,990**	17,475
61 - 90 days	**8,972**	8,775
91 - 120 days	**6,091**	1,088
More than 120 days	**20**	268
	58,484	49,878

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$32,565,000 (2015: HK$26,634,000) 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

	2016	2015
	HK$'000	HK$'000
Trade payables with independent outsiders	**9,697**	7,749
Trade payables with joint venture (note)	**445**	690
	10,142	8,439
Accrued for staff costs	**6,722**	4,413
Bond interest payable	**2,992**	2,992
Other payables, deposits received and accrued charges	**11,573**	9,797
	31,429	25,641

Note: The Group disposed of the interest in the joint venture on 7th July, 2016.

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

	2016	2015
	HK$'000	HK$'000
0 - 30 days	**5,609**	6,650
31 - 60 days	**1,679**	1,280
61 - 90 days	**323**	92
91 - 120 days	**1,023**	86
More than 120 days	**1,508**	331
	10,142	8,439

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, 2016, total revenue of the Group amounted to approximately HK$306 million, an increase of about 10.9%, as compared to approximately HK$276 million from the previous year.

During the period of review, the Group recorded a substantial loss approximately of HK$12.3 million as compared to the loss of approximately HK$6.4 million for the corresponding period in 2015. Loss per share was HK0.51 cent.

The significant losses for the year ended were mainly attributed to its trading and related business in the PRC and the share of losses from its joint venture.

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 services in Hong Kong and investment holding.

BUSINESS REVIEW

Cold Storage and related business

Cold storage

This segment, which continues to drive the Group's principal income, turned in a steady performance for 2016. Demand for its cold chain warehousing remained strong, despite a further increase in storage rental. The Group's warehouses have also seen a rise in customer inventories to facilitate the continual growth of its cold storage and related business. However the management has come under pressure to provide additional storage space, as its existing warehouse facilities remain fully occupied on a long-term basis.

Logistics

The Group's logistics business continued to maintain a stable performance in 2016. The majority of customers in this segment are originally loyal patrons of its cold storage facilities. This logistic service arm has been established to provide cold storage customers a value-added service and represents only a small part of the Group's turnover.

Industrial ice bars (for construction use)

The performance of our industrial ice bars business was stagnant during the year. The increasing operation cost lowered the profit margin of the industrial ice bars business. However, this business segment only contributes a small portion to the Group's overall business results.

Trading and related business in the PRC

In 2016, the Group disposed of its interest in a joint venture which carried logistics services business in the PRC. This has enabled it to channel more resources and efforts into developing other businesses with a more promising profit potential.

In regard to its trading business, the Group continues to supply primarily dairy products, fruit juice products and traditional Korean snacks to supermarkets and convenient stores in the PRC. Along with the greater diversity of products distributed, it has recorded a higher sales volume and profit margin. However, the growth of income from this segment has been offset by the increasing operational costs. As a result, the performance of this segment was far from satisfactory in 2016.

Money lending business

Despite its steady performance, the money lending business of the Group was affected by a fair amount of bad debts in 2016. Fortunately, the assets submitted as collaterals from the borrower have helped alleviate losses incurred by the Group, to a certain extent. Yet, the segment's contributions to the Group's overall revenues remained very limited.

PLEDGE OF ASSETS

As at 31st December, 2016, banking facilities, for providing guarantees by a bank for the Group's licence of operating cold storage service, to the extent of HK$3.5 million (2015: HK$3.5 million) of the Group were secured by bank deposits amounting to HK$3.5 million (2015: HK$3.5 million). The amount utilised at 31st December, 2016 was approximately HK$3.5 million (2015: approximately HK$3.5 million).

As at 31st December, 2016, bank deposits of approximately HK$86.5 million (2015: 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$3.8 million (2015: approximately HK$5.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2016, the Group had cash and bank balances of approximately HK$156.1 million (2015: approximately HK$125.2 million). The increase was mainly due to decrease in loan receivables.

The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 39.6% as at 31st December, 2016 (2015: approximately 38.4%). The increase of the gearing ratio was insignificant.

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

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, 2016, 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, 2015.

SHARE CAPITAL STRUCTURE

As at 31st December, 2016, 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, 2015.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2016, the total number of full time employees of the Group in Hong Kong and the PRC were approximately 240 and 70 respectively (2015: approximately 250 Hong Kong employees; 60 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.

PROSPECTS

Looking ahead in 2017, it appears that the operating environment will be more complex and rife with uncertainties. The International Monetary Fund (IMF) reported that global economic growth will accelerate to 3.4% in 2017, and to 3.6% in 2018 compared to 3.1% last year, led by the robust expansion in the US and select emerging markets. However, according to the IMF, the still-strong US dollar, American and British protectionism, currency wars, and fiscal stimuli in various economies will all contribute to increased volatility in international trade and the world economy.

According to the Hong Kong SAR government, the local economy is projected to grow by 2 to 3% in 2017, representing a relative improvement from the 1.9% growth in 2016, barring any significant external shocks which would derail the current recovery of global trade. In the PRC, the government aims to expand its economy by around 6.5% in 2017 as it continues to implement a proactive fiscal policy and maintain a prudent monetary policy.

While there will be challenges on the horizon, the Group remains optimistic of its overall business prospects, particularly in the cold storage segment. Stable income revenues from its cold chain warehousing business are expected, given the full occupancy of its storage facilities. That said, providing customers with the additional storage and cold-chain warehousing space they demand will continue to be an issue that the Group is determined to resolve. Over the months ahead, the Group will continue to improve the operational efficiency of trading segment and widen the variety of products for distribution to improve its income base.

Cold storage and related business

Cold storage

The rental rate of the warehousing facility has been adjusted upwards once again in 2017, in line with the local industrial property trends, and its existing customers have accepted the higher storage fees imposed. Part of the reason is due to the tight supply of conventional and cold-storage warehousing facilities in Hong Kong.

Market competition constitutes the biggest challenge facing the Group in the cold storage segment. Construction of new cold-storage warehouses is underway in Hong Kong, including a sizeable facility that is being built in Tsing Yi, with its completion due in the middle of 2017. Nevertheless, the Group remains positive that the demand for cold storage space remains robust and will continue to grow unabated and this will absorb the supply of new facilities to enter the market.

Logistics

The Group is optimistic that its logistic services arm will provide a steady stream of revenues since the bulk of its business is derived from the cold storage segment, which will continue to thrive and prosper in the current year and beyond. Furthermore, the Group is seeking opportunities with customers using its conventional warehousing services, by offering to help them distribute their products on the mainland.

Industrial ice bars (construction use)

Although the operation cost is ever increasing, the Group is optimistic in this business line. There are a significant number of large-scale infrastructure projects in Hong Kong which benefits to the business of industrial ice bars. The infrastructure projects includes the Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macau Bridge, the third airport runway and the massive local housing projects including the projected supply of 94,000 units of first-hand residential properties in next 3 to 4 years and the estimated 94,500 units of public housing production in the next 5 years stated in the 2017 Policy Address.

Money lending business

This Group's money lending business was established to provide credit facilities for its Hong Kong and PRC cold storage customers and other referrals but has not been doing well since. Presently, this business segment is under serious review and the management is seeking new development opportunities in order to uplift its performance.

Trading and related business in the PRC

Plans are afoot to expand the Group's product portfolio, to include new products from Australia, to stimulate consumers' appetite for purchase. Apart from enhancing the appeal of the array of food and snack products it carries, the Group will undertake efforts to improve the operational efficiency of this segment while keeping operational costs under firm control, in order to improve its business performance.

CORPORATE STRATEGY AND LONG-TERM BUSINESS MODEL

The Group has built and consolidated its cold storage business as a principal revenue driver over more than 10 years. Efforts to tap into the potential of this segment have led to the establishment of its logistics arm, providing customers with a value-added and more complete service solution. Leveraging on both these segments, the Group has further diversified its reach into China with a food import and trading business to capture an increasing share of this vast market.

Presently, while the cold storage and logistics segments provide for a steadily growing business in Hong Kong, the Group is actively building up its presence on mainland China with its food trading and distribution business, through strategies calibrated to augment its expansion. This could be seen in how the Group has been strengthening its distribution network and expanding its food categories. With the business experience gained in China and Hong Kong, we will capitalise on our existing and newly developed expertise, business contacts and resources to help streamline our operations and augment their profitability.

While consolidating its existing business strengths in cold storage and logistics, the Group will also continue to pursue further diversification, geographically and in terms of product/service categories, as a key strategic imperative for its long-term, sustainable growth. Ultimately, these different segments will be integrated together to provide customers with a one-stop range of solutions, from warehouse storage and logistics to trading, distribution, delivery, transportation, container hauling and devanning. Along the way, we are dedicated towards upgrading our operational and business efficiencies in the quest for excellence.

Keeping abreast of the times, the Group is also alert its corporate social responsibility role. The Environmental, Social and Governance report had been incorporated in this report. On the whole, the Group is committed to a prudent utilisation of resources that will underline the long-term sustainability of its business and its impact on the environment.

As an operator of an increasingly diversified business portfolio, the Group holds itself accountable to its shareholders and is conscientiously dedicated to maximising the returns for them through a strategy calibrated to making its core operations profitable and sustainable and upgrading the efficiencies and performances of its trading business along with other secondary endeavours.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31st December, 2016 (2015: 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, 2016.

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, 2016, 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, 2016, there was no meeting held between the Chairman and the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present.

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 code provisions A.2.1 and A.2.7 of the CG Code if necessary.

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, 2016, the Company did not comply with code E.1.2.

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, 2016 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 2016 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, 30th March, 2017