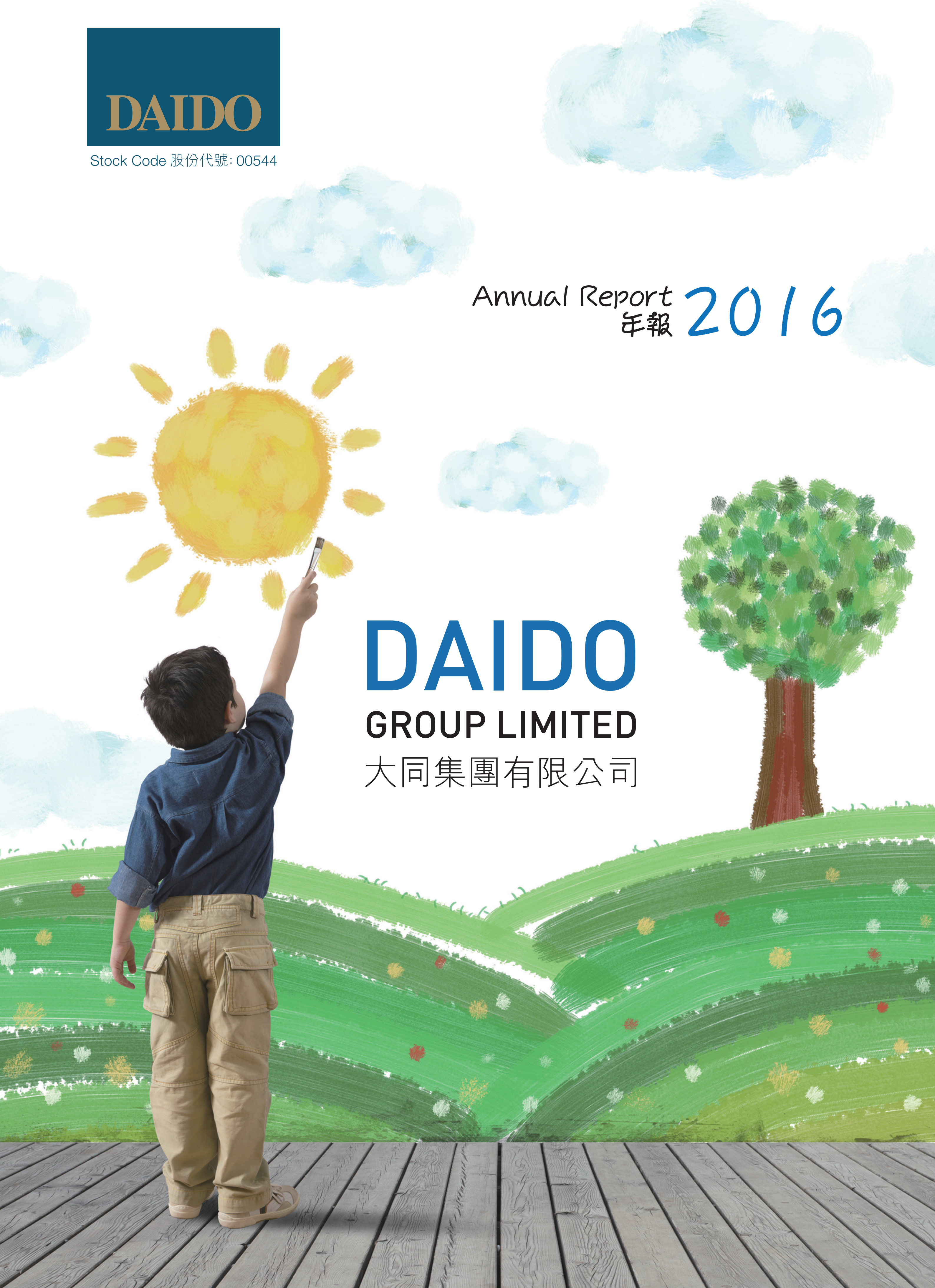
DAIDO

Stock Code 股份代號: 00544

Annual Report 2016
年報



DAIDO
GROUP LIMITED
大同集團有限公司

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

Remuneration Committee

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

www.irasia.com/listco/hk/daido/index.htm
www.daidohk.com

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit No. 1906, 19th Floor
West Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
China Construction Bank (Asia) Corporation Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank, Limited
Standard Chartered Bank (Hong Kong) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

CHIEF EXECUTIVE OFFICER'S STATEMENT

On behalf of the Board of Directors/Management, I am pleased to present the annual results of the Group for the financial year ended 31st December, 2016.

The International Monetary Fund's latest World Economic Outlook predicts a higher global growth in 2017, compared to last year, but warns of enhanced volatility in international trade due to the strong US dollar, protectionism, currency wars and other macro factors.

Similar, a higher growth of 2 to 3% has been predicted for Hong Kong this year, compared to 2016, according to the HKSAR government. However, a downside factor to watch out is the possibility of a distinct strengthening of the US dollar, which could pose a cap to the upside potential of the current export recovery.

Owing to the dismal economy, our overall business results were adversely affected but certain segments, including our Hong Kong-based cold-storage and logistics business, continued to maintain a stable performance. However, our money lending business is still in the initial stage of development with minimal revenue contributions to the Group.

In the PRC, the management undertook a timely decision to dispose of the loss-making logistic services subsidiary jointly set up with its PRC joint-venture partner. This was a strategic move that allows the Group to focus its investments on developing businesses with a better profit potential.

Even though new products were added to its distribution portfolio, the Group's trading arm did not perform as expected given the higher operating cost in China, which eroded the profitability and income generated.

The management recognises that corporate governance is essential to the success of the Group and will bring long-term benefits to the shareholders. To ensure the Group operating in a safety and steady environment, we have further strengthened our risk management and internal control systems by appointing an independent professional adviser to carry out the internal audit functions.

We believe corporate social responsibility is integral to our business operations. Therefore, we strive to make a positive change to the environment and community we operate in. Attesting to this is the Group's first Environmental, Social and Governance report published in this report, to outline the environmental and social strategies and initiatives adopted in its strident move towards sustainable development.

With the general economic conditions improving, we are confident of turning our business around in 2017, following the operational review conducted by the Management and a series of measures undertaken to improve efficiency, reduce cost and contain business risks across our different segments.

On behalf of the Board of Directors/Management, I would like to offer my heartfelt gratitude to all our clients and shareholders for their trust and firm support. I am also thankful to our staff for their hard work and dedication in 2016.

AU TAT WAI
Chief Executive Officer

Hong Kong
30th March, 2017

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 has 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 operation of 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.

DIRECTORS OF THE COMPANY

MR. AU TAT WAI, aged 44, has been an Executive Director and the Chief Executive Officer of the Company, since September 2009. He has also served as an authorised representative of the Company and a director of certain subsidiaries of the Company. Mr. Au has over 8 years of experience in information technology and e-commerce businesses, as well as in resort sector project development. He has, among ongoing efforts, promoted long term Chinese interests abroad — acting as a key liaison, bringing together in partnership Western and Chinese interests. Such efforts have led to the announcement of a $2bn construction/loan agreement between the Abu Dhabi sovereign wealth fund Aabar Investments, ICBC and China State Construction Engineering Corporation, as well as the announcement of the formation of a consortium $3bn rail/roadway project in Armenia, between Dubai Investment Bank Rasia and China Communication Construction Company, among others. Mr. Au has led international investment and partnership investments in Indonesia, Malaysia, and throughout Mainland China. Mr. Au graduated from Lakehead University, Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology.

MR. CHOY KAI SING, aged 53, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an Executive Director and an authorised representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years working experience in auditing, accounting and investment banking.

MR. HO HON CHUNG, IVAN, aged 62, was appointed as an Executive Director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. FUNG WA KO, aged 55, is currently a Non-executive Director of the Company. Mr. Fung joined the Group as an Executive Director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorised representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer and an authorised representative. He resigned as the Chairman of the Company in October 2011. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. FUNG SIU KIT, RONNY, aged 73, joined the Group as an Independent Non-executive Director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years of experience in banking, finance, investment and securities. Currently, he is a director of Goldfield Asia Investment Limited, a company provides gold/silver trading in Hong Kong.

MR. LEUNG CHI HUNG, aged 61, joined the Group as an Independent Non-executive Director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited. Mr. Leung is also an independent non-executive director of eForce Holdings Limited, Finet Group Limited and REF Holdings Limited, those companies are listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 49, joined the Group as an Independent Non-executive Director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honour from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also an independent non-executive director of Celebrate International Holdings Limited, Inno-Tech Holdings Limited and Runway Global Holdings Company Limited, those companies are listed on The Stock Exchange of Hong Kong Limited. Mr. Tse is also the Chairman of Professional Service Committee of The Hong Kong Chamber of Small and Medium Business and the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 8 to 9, as well as their emoluments as set out in note 11 to the consolidated financial statements, of this annual report, there are no other changes in directors' information.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 4 to 7 of this Annual Report. The discussion forms part of this Directors' Report.

RESULTS

The results of the Group for the year ended 31st December, 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 51.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 27 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st December, 2016, the Company's reserves consisted of contributed surplus of HK$84,239,000 (2015: HK$84,239,000) and accumulated losses of HK$419,329,000 (2015: HK$369,444,000).

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of the group reorganisation and the nominal amount of the Company's share capital issued as consideration for the acquisition.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan

Non-executive Director

Mr. Fung Wa Ko

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Fung Wa Ko, Mr. Leung Chi Hung and Mr. Tse Yuen Ming retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company entered into letters of appointment with all directors for a period of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) terminated by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier.

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2016, none of the Company's directors or chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO), or which were required to be entered in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

Particulars of the share option scheme of the Company are set out in note 29 to the consolidated financial statements.

No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2006 Scheme. Since the Adoption Date and up to 31st December, 2016, no share options have been granted pursuant to the 2015 Scheme.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2016, to the best knowledge of the Company's directors or chief executives of the Company, the following parties (other than the Company's directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions of the substantial shareholders in the shares of the Company:

Name of shareholder	Capacity	No. of shares held	Approximate percentage of total issued share capital
Ever Achieve Enterprises Limited (Note 1)	Beneficial owner	202,323,133	8.32%
Yuen Kin Wing (Note 1)	Interest of controlled corporation	202,323,133	8.32%
Bingo Chance Limited (Note 2)	Beneficial owner	140,000,000	5.76%
Elite Plan Investments Limited (Note 2)	Interest of controlled corporation	140,000,000	5.76%
Wulglar Wai Wan (Note 2)	Interest of controlled corporation	140,000,000	5.76%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned as to 50% by Mr. Yuen Kin Wing, as to 25% by Mr. Chung Chiu Pui and as to 25% by Ms. Foo Hang Luen, Monita.

2. Ms. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an Executive Director of the Company. She is the sole ultimate beneficial owner of Elite Plan Investments Limited ("Elite") and Bingo Chance Limited, a wholly-owned subsidiary of Elite. She is deemed to be interested in 140,000,000 shares which are held by Bingo Chance Limited under the SFO.

Save as disclosed above, as at 31st December, 2016, the Company's directors or chief executives of the Company are not aware of any other person (other than the Company's director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No other transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Option Scheme", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Share Option Scheme", at no time during the year ended 31st December, 2016 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2016, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 45% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 18% of the Group's total turnover.

For the year ended 31st December, 2016, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 57% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 21% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, every director shall be entitled to be indemnified out of the assets and profits of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 15 to 29.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2016.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

AU TAT WAI
Executive Director

Hong Kong
30th March, 2017

CORPORATE GOVERNANCE REPORT

The Board believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the Shareholders. For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, to systematically review the work procedures in different departments. Risk Management Policy has been established to formalise the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk prevention, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

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 deviation in paragraph headed "Chairman and Chief Executive" and "Shareholders' Rights and Investor Relations".

Following sustained development of the Company, the Board and senior management will continue to monitor the corporate governance practices of the Company to ensure that daily business activities and decision making processes are regulated in a proper and prudent manner.

CORPORATE GOVERNANCE STRUCTURE

The Board is charged with the duty to put in place a proper corporate governance structure of the Company. It is primarily responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances. Under the Board, there are currently 3 sub-committees, namely audit committee, nomination committee and remuneration committee. All these committees perform their distinct roles in accordance with their respective terms of reference and assist the Board in supervising certain functions of the senior management.

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2016 and up to the date of this annual report are:

Executive Directors
Mr. Au Tat Wai *(Chief Executive Officer)*
Mr. Choy Kai Sing
Mr. Ho Hon Chung, Ivan

Non-executive Director
Mr. Fung Wa Ko

Independent Non-executive Directors
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The biographical details of all Directors and the relationships among them are set out in the "Directors of the Company" on pages 8 to 9 of this annual report.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Directors.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules, the Company has appointed 3 Independent Non-executive Directors, representing more than one-third of the Board, of whom Mr. Leung Chi Hung is a certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is the members of international accountancy bodies.

The Independent Non-executive Directors take an active role in board meetings, contribute to the development of strategies and policies and make sound judgement in various aspects. They will take lead when potential conflicts of interest arise. They are also the members of various Board committees and devote sufficient amount of time and attention to the affairs of the Company. Thus, the Board considers the current board size as adequate for its present operations.

The Company has received from each of its Independent Non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Fung Siu Kit, Ronny, Mr. Leung Chi Hung and Mr. Tse Yuen Ming are independent.

Role and Functions of the Board

The Board is responsible for approving and monitoring business plans, evaluating the performance of the Group and overseeing management. The Board also focuses on overall strategies and policies with particular attention paid to the development and financial performance of the Group.

The Board delegates the authority and responsibility for implementing day-to-day operations and management of the Group to Executive Directors and senior management, and certain specific responsibilities to the Board committees. The Board reserves certain key matters for its approval including the Group's long-term strategy, internal control, annual and half-yearly financial results and Shareholder communications, etc. Decisions of the Board are communicated to the management through Executive Directors who have attended the board meetings.

When the Board delegates certain aspects of its management functions to the management, it has given clear directions as to the powers of management, in particular, with respect to the circumstances. The final decision still rests with the Board unless otherwise provide for in the terms of reference of relevant committees.

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices

The Board meets at least 4 times regularly a year to review the financial and operating performance of the Group. Throughout the year, 1 general meeting and 10 board meetings were held, in which 4 are regular board meetings. Details of the Directors' attendance are as follows:

	Attendance in general meeting	Attendance in board meetings
Executive Directors		
Mr. Au Tat Wai *(Chief Executive Officer)*	1/1	9/10
Mr. Choy Kai Sing	1/1	10/10
Mr. Ho Hon Chung, Ivan	0/1	5/10
Non-executive Director		
Mr. Fung Wa Ko	1/1	5/10
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	1/1	6/10
Mr. Leung Chi Hung	1/1	6/10
Mr. Tse Yuen Ming	0/1	5/10

Apart from the regular board meetings of the year, the Board had met on other occasions when a board level decision on a particular matter is required. Notice of at least 14 days has been given to all Directors for all regular board meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information. Where queries are raised by Directors, the management is responsible to respond as promptly and fully as possible. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in performing their duties to the Company. All Directors have unrestricted access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making and that board procedures are being followed. The Company Secretary is also responsible for ensuring the procedures of the board meetings are observed and providing the Board opinions on matters in relation to the compliance with the procedures of the board meetings. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meetings. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent Non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at the relevant board meeting. Any Director who or whose associates have any material interest in any proposed board resolutions will not be counted as a quorum in the relevant board meeting or will be regarded as no vote for the board resolutions.

BOARD OF DIRECTORS (continued)

Continuing Professional Development

The Company Secretary is responsible to update the Board on governance and regulatory matters.

Introduction tailored kit will be given to newly appointed director to his individual needs. This includes introduction to Group activities, induction into their responsibilities and duties, and other regulatory requirements. The Board is regularly updated with management's strategic plans, lines of business, financial objectives, plans and actions.

The Company will arrange and/or introduce some Director's training courses for them to develop and explore their knowledge and skills.

According to the code provision A.6.5 of the CG Code, all directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the board remains informed and relevant.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31st December, 2016, the following Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Au Tat Wai *(Chief Executive Officer)*	(a), (b), (d)
Mr. Choy Kai Sing	(a), (b), (c), (d)
Mr. Ho Hon Chung, Ivan	(a), (b)
Non-executive Director:	
Mr. Fung Wa Ko	(a), (b), (d)
Independent Non-executive Directors:	
Mr. Fung Siu Kit, Ronny	(d)
Mr. Leung Chi Hung	(a), (b), (c)
Mr. Tse Yuen Ming	(c)

Notes:

(a) corporate governance

(b) regulatory

(c) managerial

(d) industry-specific

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with the CG Code. The insurance coverage is reviewed on an annual basis.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal

Mr. Au Tat Wai and Mr. Ho Hon Chung, Ivan, the Executive Directors, and Mr. Fung Siu Kit, Ronny, the Independent Non-executive Director, who were re-elected by the Shareholders in the 2016 annual general meeting, had entered into the letters of appointment with the Company on 27th May, 2016.

Mr. Choy Kai Sing, the Executive Director, and Mr. Fung Wa Ko, the Non-executive Director, who were re-elected by the Shareholders in the 2015 annual general meeting, had entered into the letters of appointment with the Company on 29th May, 2015.

Mr. Leung Chi Hung and Mr. Tse Yuen Ming, the Independent Non-executive Directors, who were re-elected by the Shareholders in the 2014 annual general meeting, had entered into the letters of appointment with the Company on 30th May, 2014.

The current letters of appointment of all Directors are for an initial term of 3 years from the date of their appointment or re-election by Shareholders, whichever is the later. Such term shall end in any event on either: (i) termination by either party given the other not less than 3 months' notice; or (ii) the date on which the Director shall retire by rotation as required by the Bye-Laws of the Company, whichever is the earlier. The appointment of each Director is subject to retirement by rotation and re-election as required by the Bye-Laws of the Company.

According to the Bye-Laws of the Company, any director so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every 3 years, so as to comply with code provision A.4.2 of the CG Code.

Chairman and Chief Executive

According to the CG Code requirement, the chairman and chief executive of the Company should perform separate functions to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The chairman has executive responsibilities and provides leadership to the Board in terms of establishing policies and business directions. The chairman ensures that the Board works effectively and performs its responsibilities, and all key and appropriate issues are discussed by the Board in a timely manner.

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.

COMMITTEES OF THE BOARD

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG Code, the terms of reference of the Nomination Committee were amended and approved on 28th March, 2012. They include making recommendations for all appointment and re-appointment of Directors to the Board and the relevant terms of reference are available on the websites of the Stock Exchange and the Company. The Nomination Committee currently comprises 3 members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Leung Chi Hung

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for assessing the independence of each Independent Non-executive Director and conducting formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In evaluating the Board's composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with bye-law 87 of the Company's Bye-Laws, Mr. Fung Wa Ko, Mr. Leung Chi Hung and Mr. Tse Yuen Ming will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

During the year ended 31st December, 2016, the Nomination Committee has reviewed the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the Independent Non-executive Directors and made recommendation to the Board accordingly.

Mr. Tse Yuen Ming and Mr. Leung Chi Hung have been appointed as Independent Non-executive Directors since 6th August, 2003 and 4th September, 2003 respectively. Therefore, Mr. Tse Yuen Ming and Mr. Leung Chi Hung have accordingly served the Company for more than 9 years after 6th August, 2012 and 4th September, 2012 respectively. Mr. Tse Yuen Ming and Mr. Leung Chi Hung have no financial or family relationships with any other Directors, Senior Management or substantial or controlling Shareholders of the Company. Mr. Tse Yuen Ming and Mr. Leung Chi Hung have met the independence guidelines set out in Rule 3.13 of the Listing Rules. The Board, therefore, considers them to be independent and believes that they should be re-elected, in particular because of their experience and contribution to the Board. In order to comply with the code provision A.4.3 of the CG Code, separate resolutions have been passed by the Shareholders to approve the further appointments of Mr. Tse Yuen Ming and Mr. Leung Chi Hung in the annual general meeting held on 21st May, 2012, and both of them were subsequently re-elected in the annual general meeting held on 30th May, 2014.

The Nomination Committee formulated the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance.

In designing Board's composition, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

The Nomination Committee reviews the composition of the Board from diversified angles up to the date of this annual report and summarised as follows:

		No. of Director
Age group:	40–50	2
	51–60	2
	≥ 61	3
Gender:	Male	7
	Female	0
Educational background:	Hong Kong	4
	Overseas	3
Professional experience:	Professional associated	3
	Entrepreneur/Merchant	4
Length of service (year):	1–10	2
	≥ 11	5
Designation:	Executive Director	3
	Non-executive Director	1
	Independent Non-executive Director	3

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

1. at least one third of the members of the Board shall be independent non-executive directors; and

2. at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board has achieved the measurable objectives under board diversity policy for the year ended 31 December 2016.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the board diversity policy of the Company, as appropriate, to ensure its effectiveness and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee also monitors the implementation of the board diversity policy of the Company and reports to the Board on the achievement of the measurable objectives for achieving diversity under the board diversity policy of the Company.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. In order to comply with the CG code, the terms of reference of the Remuneration Committee were amended and approved on 28th March, 2012. The latest terms of reference are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The Remuneration Committee performed the responsibility of making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management, including benefits-in-kind, pension rights, and compensation payments, including any compensation payable for loss or termination of their office or appointment and advising the Board on the remuneration of all Non-executive Directors. In developing remuneration policies and making recommendation as to the remuneration of the Directors and senior management, the Remuneration Committee takes into account of the corporate goals and objectives of the Group as well as the performance of those individual Directors and senior management.

Remuneration package for Executive Directors:

1. The remuneration for the Executive Directors comprises basic salary, annual bonus, other benefits and retirement benefits scheme.

2. Salaries are reviewed annually. Salary increases are made where the Remuneration Committee believes that adjustments are appropriate to reflect performance, contribution, increased responsibilities and/or by reference to market/sector trends.

3. In addition to basic salary, Executive Directors and employees of the Company and its subsidiaries are eligible to receive a discretionary bonus taking into consideration factors such as market conditions as well as corporate and individual performances.

4. In order to attract, retain and motivate executives and key employees of the Group, the Company has adopted a share option scheme on 2nd June, 2015 (the "Share Option Scheme"). Such incentive scheme enables the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimise their contributions to the Group.

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2016 are set out in note 11 to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and note 29 to the consolidated financial statements.

During the year ended 31st December, 2016, the significant matters discussed by the Remuneration Committee are summarised as follows:

- Reviewed and approved the current remuneration policy of the Group; and

- Reviewed the remuneration package of the board members and senior management of the Group and made recommendation to the Board.

COMMITTEES OF THE BOARD (continued)

Audit Committee

The audit committee of the Company (the "Audit Committee") was established on 12th January, 2000 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements of the CG Code, the latest terms of reference of the Audit Committee were adopted on 1st January, 2016 and are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently comprises 3 Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung *(Chairman)*
Mr. Fung Siu Kit, Ronny
Mr. Tse Yuen Ming

The primary duties of the Audit Committee are to review, supervise and ensure the objectivity and credibility of financial reporting system, the internal audit function, risk management and internal control systems as well as to maintain an appropriate relationship with the external auditors of the Company.

During the year ended 31st December, 2016, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2015 and the unaudited financial statements for 3 months ended 31st March, 2016, 6 months ended 30th June, 2016 and 9 months ended 30th September, 2016;

2. reviewed the accounting principles and practices adopted by the Group;

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors of the Company;

5. reviewed the daily operation work-flow of the major departments and divisions for sub-group;

6. reviewed the effectiveness of risk management and internal control systems; and

7. reviewed the effectiveness of the internal audit function.

Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group. During the year ended 31st December, 2016, the Audit Committee had met twice with the external auditors of the Company.

The Audit Committee has recommended to the Board that Deloitte Touche Tohmatsu, Certified Public Accountants ("Deloitte Touche Tohmatsu"), be nominated for re-appointment as auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 9th February, 2017, the Audit Committee reviewed the internal control report. At the meeting held on 28th March, 2017, the Audit Committee also reviewed the Directors' report and audited financial statements for the year ended 31st December, 2016 together with the annual results announcement, with a recommendation to the Board for approval.

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

The following table shows the attendance of the Board Committee meetings during the year:

	Number of meetings attended/ Number of meetings held		
	Audit Committee	Nomination Committee	Remuneration Committee
Mr. Fung Siu Kit, Ronny	6/6	1/1	2/2
Mr. Leung Chi Hung	6/6	1/1	2/2
Mr. Tse Yuen Ming	5/6	1/1	2/2

The Board has ensured that the Board Committees are provided with sufficient resources to perform their duties.

Corporate Governance Functions

According to code provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board on 28th March, 2012. The Board shall have the following duties and responsibilities for performing the corporate governance duties of the Company:

- to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

- to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

- to review the Group's compliance with the corporate governance code as set out in Appendix 14 to the Listing Rules and disclosure in the corporate governance report in annual report of the Company.

During the year ended 31st December, 2016, the Board has held 2 meetings for discussing corporate governance functions.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's audited financial statements for the year ended 31st December, 2016. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 42.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

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. No incident of non-compliance was noted by the Company during the year under review.

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2016 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2016 have been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditors and also reviews any non-audit functions performed by the external auditors of the Group. In particular, the Audit Committee will consider, in advance of them being contracted for and performed, whether such non-audit functions could lead to any potential material conflict of interest. The Audit Committee reviews each year a letter from the external auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2016, the external auditors of the Group provided the following services to the Group:

	2016 **HK$'000**	2015 HK$'000
Audit service	**930**	930
Non-audit service — review on interim results	**230**	230
Total:	**1,160**	1,160

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the "RM and IC Systems") of the Group and reviewing its effectiveness through the Audit Committee. The Board has delegated its audit committee to review the Group's risk management and internal control matters at half-yearly period. The purpose of the RM and IC Systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company's objective can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

The Company has adopted a whistleblowing policy since 28th March, 2012, which intended to encourage and enable employees to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters. No case of whistleblowing was noted by the Audit Committee during the year under review.

The Board, through the Audit Committee, has conducted the risk management and internal control review. The Company has been putting a lot of effort on improvement of its risk management and internal control. Risk Management Policy has been established to formalise the risk management of the Group.

The Board sets the risk management objectives through the board meeting from time to time. The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the RM and IC Systems, Executive Directors and the senior management would meet at least once a week to review the financial and operating performance of the key operating subsidiaries. The senior management of each department is also required to keep Executive Directors informed of material developments of the department's business and implementation of the strategies and policies set by the Board on a regular basis.

To further strengthen the internal control of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of the Group's RM and IC systems. The Internal Control Advisor has conducted an annual review of and made recommendations to improve the effectiveness of the Group's risk management and internal controls systems (the "RM and IC Review").

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Company also has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest. The Company conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities & Futures Commission in 2012; and the "Guide on Disclosure of Price-sensitive Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Stock Exchange in 2002 and 2008 respectively. The Company has adopted an overall policy of open communication by pursuing the broad, non-exclusionary distribution of information to the public. The Company has imposed a strict prohibition on the unauthorised use of confidential or inside information. Such prohibition is included respectively in the Code of Conduct of the Board which applies to all Directors; and the Employee Handbook which applies to all staff. Information which is expected to constitute inside information under the Listing Rules or the Securities & Futures Ordinance (the "SFO") will be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board unless the information falls within any of the safe harbours as provided in the SFO. To ensure that the existing procedures continue to operate smoothly in practice, the Company will undertake regular reviews of the procedures having regard to the regulatory requirements and the expectations of the Shareholders and other stakeholders.

During the year ended 31st December, 2016, the Audit Committee, with the assistance of the Internal Control Adviser, reviewed the effectiveness of the cold storage and related business' RM and IC Systems in various aspects including revenue and receipt cycle, procurement and expenditure cycle, inventory cycle and financial reporting cycle.

The Internal Control Adviser carried out the RM and IC Review on the above cycles and executed the RM and IC Review which involves the following tasks:

1. Conducting interviews with relevant management and staff members relating to the risk management and internal controls

2. Conducting walk-through relating to the RM and IC Review

3. Reviewing relevant documentation on site relating to the RM and IC Review

4. Identifying significant deficiencies in the design of the risk management and internal controls

5. Communicate the significant findings with the management so as to confirm the factual accuracy of the findings

After the RM and IC Review, the management provided an action plan so as to mitigate those identified deficiencies in a timely manner. All internal control findings would be followed up closely to ensure that the action plan is implemented accordingly.

During the year ended 31st December, 2016, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. Moreover, the existing RM and IC Systems are effective and adequate, and will continue to be reviewed, added on or updated to provide for changes in the operating environment.

COMPANY SECRETARY

All Directors have access to the advice and services of our Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, our Company Secretary is responsible for facilitating communications among Directors as well as with the management. Mr. Choy Kai Sing has been appointed as the Company Secretary of the Company since 6th August, 2003. The biographical details of Mr. Choy Kai Sing are set out under the section headed "Directors of the Company". According to the Rule 3.29 of the Listing Rules, Mr. Choy Kai Sing has taken no less than 15 hours of relevant professional training for the year ended 31st December, 2016.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to Shareholders and investors for the performance of the Company. The Company values communication with Shareholders and investors. Enquiries and suggestions from Shareholders or investors are welcomed, and enquiries from Shareholders may be put to the Board through the following channels to the Company Secretary:

1. By mail to the Company's head office at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong;

2. By telephone at telephone number (852) 3107 8600;

3. By fax at fax number (852) 2111 1438; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with Shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. 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. According to the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An Independent Non-executive Director was unable to attend the annual general meeting of the Company held on 27th May, 2016 (the "AGM"). The chairmen of Audit and Remuneration Committees had attended the AGM. In absence of the chairman of Nomination Committee, the Board had invited another member of Nomination Committee to attend the AGM. The management will ensure the external auditors of the Company to attend the forthcoming annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors independence.

According to the Company's Bye-Laws, Shareholders may request the Board at all times to call special general meetings if Shareholder(s) holds not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the requisition. Shareholders shall request the Board to call special general meetings by written requisition to the Board or the Company Secretary of the Company through the above channels for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of the act of Bermuda.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS (continued)

If a Shareholder wishes to propose a person (the "Candidate") other than the retiring Directors, for election as a Director at a general meeting, a written notice (the "Notice") shall be deposited at the Company's head office in Hong Kong at Unit No. 1906, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.

The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data.

The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

Extensive information about the Group's activities is provided in its annual reports and interim reports which are sent to Shareholders and investors. The Company's announcements, press release and publication are circulated and are also available on the website of the Stock Exchange. In order to provide effective disclosure to the Shareholders and investors and to ensure they all receive equal access to the same information at the same time, information considered to be of a price sensitive nature is released by way of formal public announcement as required by the Listing Rules.

The Board has established a Shareholders communication policy on 28th March, 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (www.irasia.com/listco/hk/daido/index.htm) which discloses the latest information relating to the Group and its businesses.

ABOUT US

Daido Group Limited (Daido or The Group) is principally engaged in cold storage and related services in Hong Kong. Diversification is key to the Group's growth strategy. The Group has been exploiting the potential of existing business activities by diversifying into value-added support services to clients. Leveraging on the Group's cold storage experience, Daido has extended its business into logistics services, trading and related business. The Group is also engaged in trading and related services in the PRC, as well as money lending services and investment holdings in Hong Kong.

Cold storage is Daido's core business and principal income driver. Through Brilliant Cold Storage Management Limited and Brilliant Top In Logistics Limited — two indirect wholly-owned subsidiaries of the Group — the Group provides warehousing and storage, transportation and distribution, container hauling and devanning, packaging plus various other types of valued-added services.

ABOUT THIS REPORT

This is the first Environmental, Social and Governance Report issued by Daido setting out the Group's actions and performance on sustainability issues in a transparent and open manner with the intention of increasing stakeholders' confidence in and understanding of the Group.

Reporting Year

Information in the report reflects the performance of Daido in environmental stewardship, social responsibility and effective governance between January 2016 and December 2016. In future, the Group will publish an Environmental, Social and Governance Report on an annual basis and make it available to the public at any time to enhance transparency and accountability.

Reporting Boundary

This report focuses on Daido's business of cold storage and logistics services in Hong Kong[1]. The Group will expand the scope of disclosures and even extend this to all operations of the Group when the data collection system is better established and the environmental, social and governance work is strengthened. The Group will conduct carbon assessment next year to further refine and standardise the indicators for reporting.

[1] These businesses are operated by Brilliant Cold Storage Management Limited, Brilliant Top In Logistics Limited and Brilliant Giant Trading Limited.

Reporting Guideline

The report is published in accordance with the Environmental, Social and Governance Reporting Guide (ESG Guide) issued by The Stock Exchange of Hong Kong Limited (Stock Exchange). The report outlines the environmental, social and governance performance of Daido in a concise manner. Information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated from the monitoring, management and operational information provided by Daido subsidiaries in accordance with the relevant rules of the Group. A complete index is inserted in the last chapter of the report for reference. The report is written in the Chinese and English languages and both are uploaded onto the Group's website at www.irasia.com/listco/hk/daido/index.htm. In case of any conflict or inconsistency between the Chinese version and the English version, the English version shall prevail.

The Group Value Your Feedback

Our continuous improvement relies on your valuable feedback on both the content and the form of this report. If you have any questions or comments, please send your views to irelations@daidohk.com to help with our continued improvement in environmental, social and governance aspects.

STAKEHOLDER ENGAGEMENT

The Stock Exchange sets forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency. These should form the basis for preparing the Environmental, Social and Governance Report. As the Stock Exchange emphasises, stakeholder engagement is the method by which materiality is assessed. Through stakeholder engagement, companies can understand wide ranging views and identify material environmental and social issues.

For Daido, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include not only employees but also customers, business partners, investors, regulatory authorities and various types of community group. In the past year, the Group communicated with the key stakeholders using a variety of methods. While preparing the report, the Group commissioned a professional consultancy firm to conduct the materiality analysis in the form of management interviews. With expert advice, the Group identified the material aspects for this report and these will in turn guide the formulation of the Group's sustainability roadmap.

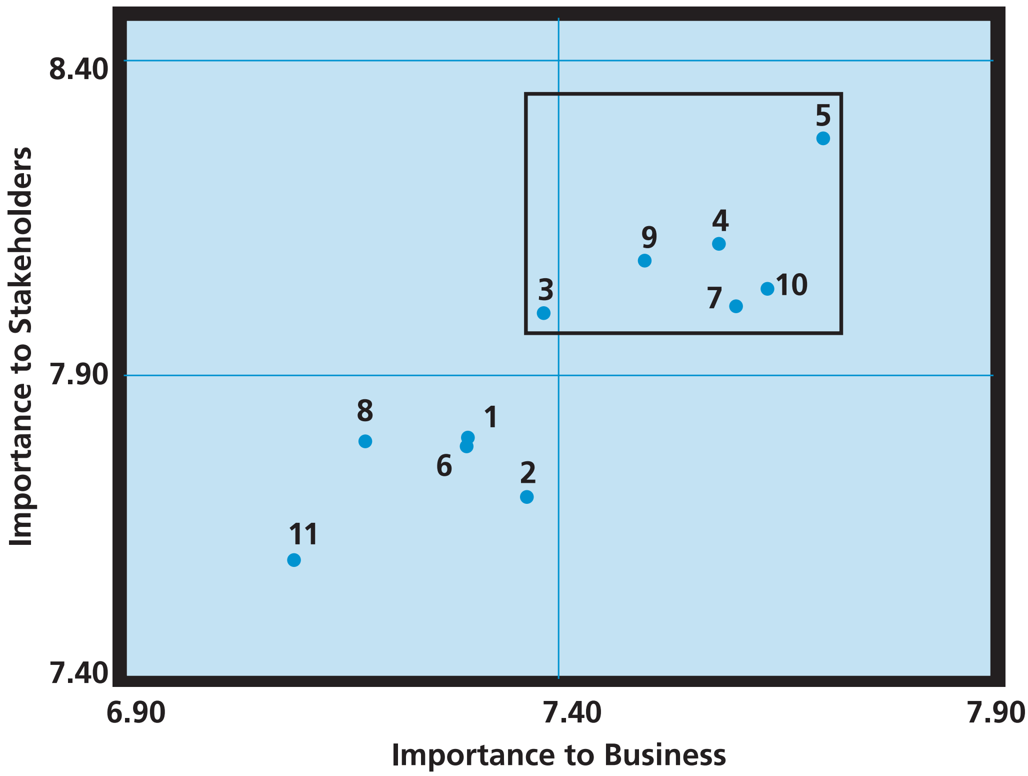
Methods of Stakeholder Engagement in the Reporting Period

Internal Stakeholders	External Stakeholders
• Board of Directors • Management • Administration Executives • General Staff	• Shareholders • Clients • Suppliers • The Government • Industry Associations • Banks • Business Partners

Engagement methods:
Meeting, E-mail, Letter, Phone Call, Interview, Company Journal, Factory Visit, Seminar, Exhibition

During the preparation of the report, Daido commissioned an independent consultant, Carbon Care Asia (CCA) to conduct stakeholder engagement in order to identify material aspects in an impartial manner for the Group. At the outset, CCA held an in-depth interview with the senior management of the Group to understand its sustainability vision and policy direction. A survey was conducted afterwards with all levels of staff, including the management, the executives and general staff, offering a fair opportunity for each group to express their views. CCA distributed a total of 128 questionnaires to the Group's internal stakeholders and received 121 valid responses. With expert review and materiality analysis, the Group has identified six material issues for reporting, and these will be used as the basis for formulating a sustainable development plan.

Daido's Sustainability Issues Materiality Matrix 2016



Daido's Material Issues (in descending order of importance)

Number	Issues
5	Health and Safety
4	Employment
10	Anti-corruption
9	Product Responsibility
7	Labour Standards
3	Environment and Natural Resources
1	Emissions
6	Development and Training
2	Use of Resources
8	Supply Chain Management
11	Community Investment

The business of Daido affects different stakeholders, and these stakeholders have various expectations of the Group. To enhance the materiality analysis, the Group will in future continue and expand stakeholder engagement, and collect a diverse range of stakeholders' views through various channels. At the same time, the Group will consider advancing the reporting principles of Quantitative, Balance and Consistency, in order to present the report in a way that continues to improve alignment with stakeholder expectations.

CEO FOREWORD

"Through this report, we hope our stakeholders can see our determination to move towards sustainable development."

It has been over ten years since we first stepped into the cold storage and logistics businesses. With the aspiration of becoming the most sought-after storage and logistics provider in Hong Kong, we have endeavoured to provide our customers with high quality services.

Sustainability is a precondition for our long-term competitiveness in order to meet the increasing expectations of our clients. We are therefore building our understanding of how our business decisions could affect the environment and communities where we operate.

We recognise the contribution of our employees and consider the collaboration of our people to be an important element of our journey towards sustainable development. In this regard, we strive to foster a healthy working environment and an engaging corporate culture where employees feel high levels of job satisfaction.

We understand that our operations may bring positive and negative influences to different groups of stakeholders. We take seriously our responsibility for the integration of environmental and social sustainability into our business model. By adopting new technological innovations and providing our clients with a one-stop service, we are determined to improve our operational efficiency and stay in the forefront of the industry.

This is our first Environmental, Social and Governance report, and it demonstrates our learning experience as a sustainable company, starting with the development of a set of environmental and social initiatives. Through this report, we hope our stakeholders can see our determination to move towards sustainable development. In the coming years, we sincerely invite our stakeholders to join hands with all of us at Daido to contribute to our planet and society.

Au Tat Wai
Chief Executive Officer
Daido Group Limited

SOCIAL

Health and Safety

Daido believes that the operational efficiency of an enterprise and a healthy and safe working environment for all employees are closely related.

Regulatory authorities have established basic requirements for health and safety in the workplace. However, the effectiveness of supervision depends heavily on the establishment and implementation of internal systems within each organisation. In order to create a safe working environment for employees, Daido regards occupational health and safety as one of the most important components of enterprise risk management. The Group is committed to protecting the health and safety of its employees. In this manner, the Group strives to not only comply with all relevant occupational health and safety regulations, but also to do the utmost to provide its employees a safe and healthy working environment. To fulfil the Group's commitment, it has included safety policies and guidelines in the "Staff Handbook" and in "Daido Group Limited Environmental, Social and Governance Policies".

Daido has established a Safety Committee consisting of all key management members and department heads to review the injured cases and improve workplace safety for cold storage and logistic business. The Committee meets on a quarterly basis. A set of "Safety Guideline" is available on the notice board at all times. The Safety Guidelines consist of General Workplace Safety, First Aid Equipment and Fire Safety Requirements, Safety Guidelines for Cold Storage, Safety Guidelines for Elevator Users, Guidelines for Manual Lifting and Handling, and Safety Guidelines for Engineering and Warehouse Departments. All staff are required to strictly comply with these Guidelines.

In order to successfully implement the aforementioned safety policies and guidelines, department heads are required to communicate clearly with employees on the above safety topics. Safety representatives and department heads are also responsible for managing and monitoring the safety performance of staff. During the reporting period, Daido has found no non-compliance cases regarding violation of relevant laws and regulations on occupational health and safety.

Highlights of Safety Policies and Guidelines

- Provide and maintain a safe and healthy workplace
- Provide personal protective equipment to protect employees
- New employees shall attend safety training before commencement of work
- Only qualified personnel (for example holding an electrician's license or a forklift driver's license) should repair or operate machinery
- Provide sufficient first-aid kits at workplaces
- Arrange regular rescue, fire and evacuation drills
- Provide medical insurance to employees
- Provide employees with necessary job information, guidance, training and supervision

Health and Safety Key Performance Index

	No. of accident cases	Accident rate per 1000 workers
Male	6	29.4
Female	1	

SOCIAL (continued)

Employment

Employees are Daido's most valuable asset and the cornerstone of its business growth. The Group believes that every employee should be respected. The Group ensures that all employees are under protection of the Hong Kong Employment Ordinance. The Group has included employment policies in the ''Staff Handbook" and ''Daido Group Limited Environmental, Social and Governance Policies", covering aspects of salary, compensation, recruitment, promotion, working hours, leave, appraisal systems, equal opportunities, anti-discrimination and benefits.

Daido offers competitive pay and benefits to employees according to their job requirements and individual performance. The Human Resources Department is responsible for reviewing the overall salary and benefits to ensure the Group's competitiveness in the local market. The Group is also committed to equal and fair opportunities in recruitment and promotion, regardless of age, sex, marital status, family status, race, skin colour, nationality, religion, political affiliation or sexual orientation. The Group has developed a comprehensive appraisal system to evaluate employees' performance and all employees are recognised and rewarded according to their contributions, work performance and skills on annual basis. The Group also provides medical insurance, MPF, discretionary bonuses, transportation allowances and tuition fee reimbursements to employees.

Employment Key Performance Indices

		Age below 30	Age 30–50	Age over 50	Total number	Employee ratio between male and female
No. of employees	Male	16	71	106	193	4:1
	Female	11	25	12	48	

		Age below 30	Age 30–50	Age over 50	Total number	Percentage of new employees
New employees	Male	1	6	9	16	9.1%
	Female	1	5	0	6	

		Age below 30	Age 30–50	Age over 50	Total number	Turnover rate
Employee turnover	Male	6	7	9	22	10.8%
	Female	1	1	2	4	

The Human Resources Department is responsible for ensuring that Daido fully complies with the Sex Discrimination Ordinance, Disability Discrimination Ordinance and Family Status Discrimination Ordinance. In case of any suspected cases of non-compliance, employees should report to any Executive Directors who are responsible for investigation and corrective actions.

Development and Training

Daido believes that staff development is an important part of the Group's human resource strategy to ensure its competitiveness in the market. The Group encourages and sponsors employees to attend relevant job-related courses to enrich their knowledge and skills. The Group has established a "Staff Development and Training Plan" which outlines available courses such as warehouse safety, manual lifting and handling and forklift operation, and sets forth the Group's development targets. The Group also provides appropriate training for outstanding staff.

During the reporting period, Daido has had no non-compliance cases regarding violation of relevant employment laws and regulations.

SOCIAL (continued)

Labour Standards

Daido is fully aware that child labour and forced labour violate fundamental human rights and international labour conventions, and also pose threats to sustainable social and economic development. Therefore, the Group adopts a zero-tolerance policy against employing child labour or forced labour in any part of its business, including the employment of its suppliers and subcontractors. As part of the recruitment process, the Human Resources Department is required to examine candidates' identity documents, such as ID cards and driving licenses, check the likeness of the photos in these documents and undertake an age verification check. During the report period, the Group has had no non-compliance cases regarding violation of relevant child labour and forced labour laws.

The International Labour Organisation (ILO) is the United Nations specialised agency that promotes working and living standards around the world through the promulgation of labour standards through a range of International Labour Conventions and Recommendations. China is a founding member of the ILO and a permanent member. Hong Kong has currently adopted 41 International Labour Conventions which therefore apply to working conditions and employment policies.

Product Responsibility

In today's competitive market environment, the quality of products and services that customers demand continues to increase. Daido understands that the Group can only gain and maintain their trust and support by creating the most value for customers.

The establishment of an efficient quality management system has become an indispensable element to sustain Daido's competitiveness. Since 2002, the Group has introduced and maintained the ISO 9001 quality management standard for its cold storage business. Through adopting a Quality Control Manual, Working Operation Procedures and Working Instructions, the Group ensures that the quality of its services is up to standard and can meet customer's requirements.

Daido has set forth a set of standard working procedures and a flowchart for different departments to follow through all operational processes including opening accounts for clients, cargo receiving and dispatching. Our Quality Assurance Department is responsible for monitoring the operation and suggesting corrective actions whenever necessary.

Securing customer information is essential for maintaining good corporate governance and building long-term trust with customers. Daido adheres to the Personal Data (Privacy) Ordinance and all collected customer information will only be used for business purposes and will be kept confidential. During the reporting period, the Group has had no non-compliance cases regarding violations of the Personal Data (Privacy) Ordinance.

SOCIAL (continued)

Anti-Corruption

The international organisation Transparency International defines corruption as the abuse of entrusted power for private gain. Anti-corruption has been considered to be one of the basic elements of corporate social responsibility in the international community. The United Nations Convention against Corruption, which was introduced in 2005, is the first global convention covering all aspects of corruption. Many countries have enacted relevant laws in accordance with the Convention and have taken measures to enforce these laws. In recent years, the Chinese government has been actively pursuing anti-corruption measures. The UN Convention is effective in China, including Hong Kong.

As a listed company in Hong Kong, Daido believes that the integrity of business is a basic foundation of corporate social responsibility, as well as a fundamental element for a business's competitive advantage and sustainability. For these reasons, the Group has systematically incorporated anti-corruption management principles into its operations.

Daido adopts a policy of zero tolerance towards bribery, extortion, fraud and money laundering. The Group's anti-corruption policies explicitly define bribery, extortion, fraud and money laundering and set out the procedures to report any cases. All employees, including Directors and the management, must fully comply with relevant local laws as well as the Group's own policies on the prevention of corruption. All employees have a responsibility to report any suspected violations to any Executive Directors or the Chair of the Audit Committee.

Daido's anti-corruption measures have been effective. There were no cases of corruption or fraud litigation against the Group and its employees during the reporting period. The Group's practical actions on this subject not only win the trust of customers, but also enhance the sense of belonging and fair play among the employees.

Supply Chain Management

Outsourcing is a common business practice around the globe, and Daido acknowledges its responsibility to ensure suppliers' ESG performance along the supply chain and throughout its service lifecycle. Comprehensive and effective supply chain management can enhance the Group's brand reputation and business sustainability performance while controlling its operating costs.

In addition to factors such as technical capabilities, delivery times and price competitiveness of Daido's business partners, the Group is also considering extending environmental and safety requirements and focuses along the supply chain, requiring its business partners to focus more on sustainability performance.

Daido aims to work closely with all its business partners to implement sustainability standards effectively. The Group also encourages business partners to exchange experiences so as to enhance their overall environmental and social performance. The Group hopes that through development of innovative business models, it can promote sustainability across the industry.

SOCIAL (continued)

Community Investment

Today people are more conscious of corporate conduct which is considered a necessary component of maintaining a "social license to operate". Therefore, the sole pursuit of maximum financial return to shareholders in the short term is not the only goal of business management. As a corporate citizen, Daido deeply understands the importance of meeting the expectations of various stakeholders and the communities in which the Group operates. Therefore, from the perspective of long-term development of the enterprise, the Group emphasises aligning the interests of shareholders and all other stakeholders so that it can prosper in a long-term, stable and healthy manner.

As an organisation with a belief in social responsibility, Daido is committed to understanding the needs of the communities in which the Group operates. The Group contributes to the sustainable development of the community by building healthy and vibrant communities.

Whenever Daido believes it can act effectively to help with unmet social problems, the Group responds positively with charitable programmes. During the reporting period, 158 social welfare agencies were benefited from the Group's donation through the Mooncake for Charity programme.

ENVIRONMENTAL

Emissions

The Paris Agreement entered into force in November in 2016, aiming to keep a global temperature rise this century well below 2ºC above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5ºC.

Daido is committed to managing and continuously improving its environmental performance and efficiency. The Group has assigned an independent consultancy, CCA, to assess its greenhouse gas emissions in accordance with the principles and methodology set forth in the accounting guidelines established by the HKSAR government as well as international standards. The practice of emission assessment enables the Group to monitor its environmental KPIs over time and increase the transparency of emission reduction activities in a systematic way.

The measured emissions during the period of this report are 14,818 tonnes of CO_2 equivalent (CO_2-e), with a breakdown by scope and share of major emissions sources shown in the table below. More than 70% of Daido's emissions come from its onsite operations in warehouses, including energy and refrigerant consumption; while the rest is mostly contributed by vehicles. Considering its business nature, the Group gives priority to improving energy/fuel combustion efficiency, proper handling, minimising refrigerant release, and the use of refrigerants with lower global warming potential. At the same time, the Group aims to set measurable targets and achieve business growth by lowering the carbon intensity of its operation.

During the reporting period, Daido has had no non-compliance cases regarding violation of relevant environmental laws and regulations.

Greenhouse Gases Emissions by Scope

Boundary	Emission (tonnes CO_2-e)
Scope 1 — direct GHG emissions	7,994
Scope 2 — energy GHG indirect emissions	6,795
Scope 3 — other indirect GHG emission	28

Note: Ice making operations, which are not included in the reporting scope and boundary, share the same electricity metering as the warehouse and thus emissions from this process are included in the scope 2 emissions.

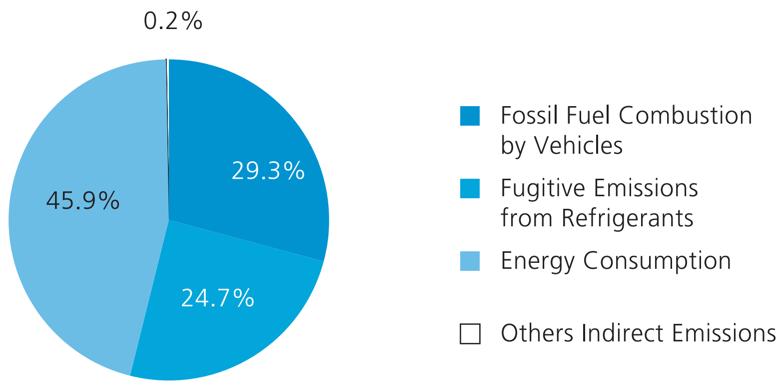
ENVIRONMENTAL (continued)

Emissions (continued)

The operational boundary contains emission sources as follows:

- Scope 1 — fossil fuel combustion by vehicle and fugitive emissions from refrigerant
- Scope 2 — energy consumption
- Scope 3 — disposal of waste paper, fresh water process, sewage treatment and business travel by air

Greenhouse Gases Emissions by Source



Use of Resources

Daido is committed to protecting the environment by efficiently using resources including major areas of consumption such as energy and water. In this regard, the Group has implemented various energy-saving measures to reduce its electricity use, including the introduction of LED lighting systems in selected offices as a pilot project. Following the success of the project, the Group plans to replace 661 conventional lights with LED lights shortly. To reduce its water footprint, the Group reuses water from the daily defrosting process.

Use of Resources

Type of Resource	Quantity	Unit
Diesel	1,320,724	Litre
Petrol	313,987	Litre
Electricity Purchased	12,583,781	kWh
Fresh Water	7,896	M^3
Office Paper	4,450	Kg

Note: Ice making operations, which are not included in the reporting scope and boundary, share the same electricity metering as the warehouse and thus consumption of electricity from this process is included in the above table.

ENVIRONMENTAL (continued)

Environment and Natural Resources

Due to the natural of its business, Daido does not have a direct impact on the environment and natural resources beyond the emissions and resources discussed above. Nevertheless, the Group strives to reduce negative impact of its operations on the environment and natural resources. For example, the Group participated in the Ex-gratia Payment Scheme to phase out its pre-Euro IV diesel vehicles and introduced 12 post-Euro IV trucks. The Group has also adopted Avoid, Reduce, Reuse, Recycle, Responsible Disposal approach to reduce its waste generation and its dependency on landfill. Measures include using e-filing, encouraging e-communication channels for business, promoting a ''think before you copy" attitude in the workplace, recycling toner cartridges and adopting double-side printing.

ESG REPORTING GUIDE CONTENT INDEX

Material Aspects	Content	Page
A1 Emissions		**38**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
A2 Use of Resources		**39**
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
A3 The Environment and Natural Resources		**40**
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	
B1 Employment		**35**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and the welfare.	
B2 Health and Safety		**34**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	

Material Aspects	Content	Page
B3 Development and Training		**35**
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
B4 Labour Standards		**36**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
B5 Supply Chain Management		**37**
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
B6 Product Responsibility		**36**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
B7 Anti-corruption		**37**
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
B8 Community Investment		**38**
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	

Deloitte.

德勤

TO THE MEMBERS OF DAIDO GROUP LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 49 to 105, which comprise the consolidated statement of financial position as at 31st December, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Estimated impairment of Goodwill	
We identified estimated impairment of goodwill as a key audit matter due to the significant degree of judgement by management in determining the amount of impairment of goodwill. As disclosed in notes 4 and 15 to consolidated financial statements, goodwill was allocated to a cash-generating unit ("CGU"), which comprises of two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services. The recoverable amount of this CGU has been determined based on a value in use method in which the underlying cash flow projections is prepared with reference to the financial budgets and the underlying discount rate adopted in cash flow projections was derived by an independent qualified professional valuer. Other key assumptions for value in use include budgeted revenue, gross margin, past performance of CGU and management expectations for the market development. The management of the Group concluded that there were no further impairments on goodwill based on the impairment assessment for the year ended 31st December, 2016.	Our procedures in relation to estimated impairment of goodwill included: • Assessing the Group's key controls relating to the preparation of the cash flow projections and obtaining the value in use calculations prepared by the management; • Evaluating the appropriateness of judgements used by the management, in particular, the reasonableness of the key assumptions used when preparing the cash flow projections including the budgeted revenue, gross margin, discount rate, past performance of CGU and management expectations for the market development; • Evaluating the competence, capabilities and objectivity of the independent valuer; • Checking the reasonableness and appropriateness of the input data in the value in use calculation by reconciling input data to the approved budget and comparing against historical performance; • Engaging our internal valuation expert to assess the appropriateness of the discount rate used; and • Evaluating the sensitivity analysis performed by management on discount rate and its extent of impact on the value in use.

Key audit matters	How our audit addressed the key audit matters
Estimated impairment of trade receivables	
We identified the estimated impairment of trade receivables as a key audit matter due to the significant degree of judgement involved in the estimation of the recoverability of trade receivables. As disclosed in notes 4 and 19 to the consolidated financial statements, in determining the recoverability of trade receivables, the Group considers the credit quality of the trade receivables with reference to the credit history including default or delay in payments, historical settlements, settlements of trade receivable subsequent to the end of the reporting period and the ageing analysis of the overdue receivables. As at 31st December, 2016, the carrying amount of trade receivables is HK$58,484,000 (net of allowance for doubtful debts of HK$474,000) and HK$32,565,000 are past due but not impaired.	Our procedures in relation to the recoverability of trade receivables included: • Assessing and evaluating the key controls over the Group's review of the recoverability of the trade receivables; • Assessing the reasonableness of the allowance for doubtful debts of these trade receivables prepared by the management with reference to the credit history of trade receivables including default or delay in payments, historical and settlement subsequent to the period end date and the ageing analysis of the overdue receivables; • Testing, on a sample basis, the correctness of the aging analysis of trade receivables to the supporting documents; • Testing subsequent settlements of the trade receivables, on a sample basis, to supporting documents; and • Evaluating the historical accuracy of the allowance estimation by management by comparing historical allowance made to the actual settlements and actual loss incurred and tracing the actual settlements, on a sample basis, to the supporting documents.

Key audit matters	How our audit addressed the key audit matters
Recoverability of unsecured loan receivables	
We identified the recoverability of unsecured loan receivables as a key audit matter due to significant degree of management judgement involved in determining the recoverability of the unsecured loan receivables. As disclosed in note 4 to the financial statements, in determining the recoverability of unsecured loan receivables, the Group considers the credit quality of the unsecured loan receivables with reference to the credit history of the borrowers including default or delay in payments, the historical settlements and settlements of loan interests of the unsecured loan receivables subsequent to the end of reporting period, financial background of the borrowers and its available financial information at the end of each reporting period. As disclosed in note 18 to the consolidated financial statements, as at 31st December, 2016, the unsecured loan receivables in respect of money lending services amounted to HK$26,856,000 with no impairment loss recognised.	Our procedures in relation to the recoverability of unsecured loan receivables, included: • Obtaining an understanding and evaluating the key controls over the granting of loans and the Group's decision in granting loan facilities to borrowers with or without any security from the borrowers; • Obtaining an understanding and evaluating the key controls over the review of the recoverability of the unsecured loan receivables; • Assessing the reasonableness of the impairment loss on loan receivables prepared by the management with reference to the credit history of the borrowers including default or delay in payments, historical settlements and settlements of loan interests subsequent to the end of the reporting period, publicly available financial information of the borrowers at the end of the reporting period; and • Testing the historical and subsequent settlements of the loan interests, on a sample basis, to supporting documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Ka-Lai Man.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th March, 2017

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	5	**305,651**	275,783
Direct costs		**(245,706)**	(226,661)
Gross profit		**59,945**	49,122
Other income	6	**791**	2,161
Selling and distribution expenses		**(16,198)**	(13,251)
Administrative expenses		**(41,686)**	(33,547)
Other gains and losses	7	**(827)**	616
Share of loss of a joint venture		**(7,947)**	(3,875)
Finance costs	8	**(6,405)**	(7,670)
Loss before tax		**(12,327)**	(6,444)
Taxation	9	**–**	–
Loss for the year	10	**(12,327)**	(6,444)
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	13	**(HK 0.51 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	14	**10,555**	14,482
Goodwill	15	**8,581**	8,581
Interest in a joint venture	16	**–**	7,947
Available-for-sale investment	17	**38,502**	38,502
Rental deposits paid		**21,782**	21,783
Pledged bank deposits	31	**90,005**	90,000
Loan receivables	18	**31,000**	54,650
		200,425	235,945
CURRENT ASSETS			
Inventories		**738**	2,200
Trade and other receivables, deposits and prepayments	19	**64,168**	62,057
Loan receivables	18	**10,893**	20,779
Amount due from non-controlling interests of a subsidiary	20	**9,760**	9,760
Held for trading investments	21	**702**	698
Bank balances and cash	22	**156,060**	125,214
		242,321	220,708
CURRENT LIABILITIES			
Trade and other payables	23	**31,429**	25,641
Amount due to an investee	24	**39,042**	39,042
Obligations under finance leases	25	**1,853**	1,924
Promissory notes	26	**–**	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	27	**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	25	**885**	2,738
Bonds	28	**100,000**	100,000
		100,885	102,738
		370,422	385,284

The consolidated financial statements on pages 49 to 105 were approved and authorised for issue by the board of directors on 30th March, 2017 and are signed on its behalf by:

AU TAT WAI	**CHOY KAI SING**
Director	*Director*

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note)	Accumulated losses HK$'000	Translation reserve HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2015	24,323	374,226	39,984	(163,888)	152	274,797	14,923	289,720
Loss for the year	–	–	–	(6,444)	–	(6,444)	–	(6,444)
Other comprehensive expense for the year	–	–	–	–	(730)	(730)	–	(730)
Total comprehensive expense for the year	–	–	–	(6,444)	(730)	(7,174)	–	(7,174)
At 31st December, 2015	24,323	374,226	39,984	(170,332)	(578)	267,623	14,923	282,546
Loss for the year	–	–	–	(12,327)	–	(12,327)	–	(12,327)
Other comprehensive expense for the year	–	–	–	–	(682)	(682)	–	(682)
Total comprehensive expense for the year	–	–	–	(12,327)	(682)	(13,009)	–	(13,009)
At 31st December, 2016	24,323	374,226	39,984	(182,659)	(1,260)	254,614	14,923	269,537

Note: On 24th November, 2009, every five issued and unissued existing shares of HK$0.01 each in share capital of the Company was consolidated into one consolidated share of HK$0.05 (the "Share Consolidation"). After completion of 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"). 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2016

	NOTES	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(12,327)**	(6,444)
Adjustments for:			
Allowance for trade receivables		**504**	517
Change in fair value of held for trading investments		**(4)**	136
Depreciation of property, plant and equipment		**5,224**	4,950
Finance costs		**6,405**	7,670
Gain on disposal of property, plant and equipment		**(7)**	(1,269)
Impairment loss on property, plant and equipment		**289**	–
Interest income		**(632)**	(567)
Loss on disposal of subsidiaries		**45**	–
Share of loss of a joint venture		**7,947**	3,875
Operating cash flows before movements in working capital		**7,444**	8,868
Decrease (increase) in rental deposits paid		**1**	(3)
Increase in trade and other receivables, deposits and prepayments		**(3,497)**	(10,765)
Decrease (increase) in inventories		**1,462**	(564)
Decrease (increase) in loan receivables		**33,536**	(75,429)
Increase in trade and other payables		**6,554**	2,110
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**45,500**	(75,783)
INVESTING ACTIVITIES			
Interest received		**632**	567
Purchase of property, plant and equipment		**(1,600)**	(5,176)
Proceeds from disposal of property, plant and equipment		**7**	1,270
Net cash outflow from disposal of subsidiaries	34	**(51)**	–
Capital injection to a joint venture		**–**	(3,641)
Placement of pledged bank deposits		**(5)**	–
Advance to non-controlling interests of a subsidiary		**–**	(3,811)
NET CASH USED IN INVESTING ACTIVITIES		**(1,017)**	(10,791)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2016

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(6,167)**	(4,244)
Advance from an investee	**–**	15,247
Repayment of advance from a joint venture	**–**	(1,270)
Repayment of promissory notes	**(5,000)**	(5,000)
Repayment of obligations under finance leases	**(1,924)**	(1,371)
Proceeds from issue of bonds	**–**	60,000
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(13,091)**	63,362
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**31,392**	(23,212)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**125,214**	149,151
Effect of foreign exchange rate changes	**(546)**	(725)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**156,060**	125,214

1. GENERAL

Daido Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are provision of cold storage and related services, trading and related services in the People's Republic of China (the "PRC"), money lending services and investment holding.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. 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 amendments to 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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 fulfillment 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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 31st December, 2016, the Group has as lessee non-cancellable operating lease commitments of approximately HK$211,574,000 as disclosed in note 32. 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Asset".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on pro rata a basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with a joint venture of the Group profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and title have passed.

Storage income is recognised on a time proportion basis over the period in which storage services are provided.

Logistics service income and related services are recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease terms.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint venture that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill, other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease terms, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories comprising food and beverage are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 40(c).

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated as AFS or are not classified as financial assets at FVTPL, held-to-maturity investments, or loans and receivables.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, amount due from non-controlling interests of a subsidiary, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on AFS equity investments carried at cost will not be reversed through profit or loss in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Bonds contain liability component and early redemption option derivative

At the date of issue, early redemption option that is closely related to the liability component is not separately accounted for and recognised at fair value at initial recognition. In subsequent periods, bonds are carried at amortised cost using the effective interest method. Transaction costs are included in the carrying amount of the bonds and amortised over the period of the bonds using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to an investee, promissory notes and bonds) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated which is higher of value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, further impairment loss may arise. During the year, the cash flow projections is prepared based on the financial budgets approved by management covering 5-year period, and the underlying discount rate adopted in cash flow projections was derived by an independent qualified professional valuer. As at 31st December, 2016, the carrying amount of goodwill is HK$8,581,000 (2015: HK$8,581,000) (net of accumulated impairment loss of HK$6,400,000 (2015: HK$6,400,000)). Details of the recoverable amount calculation are disclosed in note 15.

Estimated impairment of trade receivables

The Group has designed controls over the acceptance of new customers and performed annual review of existing trade receivables with reference to the business relationships with the customers and the credit quality of the customers. In determining the recoverability of trade receivables, the Group considers the credit quality of the trade receivables with reference to the credit history including default or delay in payment, historical settlements and settlements of trade receivables subsequent to the end of the reporting period and the ageing analysis of the trade receivables. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual outcome or expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts or write-back in the period in which such estimate has changed. As at 31st December, 2016, the carrying amount of trade receivables is HK$58,484,000 (net of allowance for doubtful debts of HK$474,000) (2015: carrying amount of HK$49,878,000, net of allowance for doubtful debts of HK$1,832,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimate impairment of unsecured loan receivables

The Group has designed controls over the grant of new loans to borrowers and performed annual review of existing loan receivables with reference to the credit quality of the borrowers. In determining the recoverability of unsecured loan receivables, the Group considers the credit quality of the unsecured loan receivables with reference to the credit history of the borrowers including default or delay in payment, historical settlements and settlements of loan interests of the unsecured loan receivables subsequent to the end of the reporting period, the financial background of the borrowers and the available financial information of the borrowers at the end of each reporting period. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. Where the actual outcome or expectation of the recoverability of loan receivables is different from the original estimate, such difference will impact the carrying value of loan receivables and allowance for doubtful debts or write-back in the period in which such estimate has changed. As at 31st December, 2016, the carrying amount of unsecured loan receivables is HK$26,856,000 (2015: HK$16,836,000). There is no allowance or impairment loss recognised for both years.

Estimated impairment of property, plant and equipment

The management conducted a review and determined that any indication of impairment by considering the recoverable amount of the individual property, plant and equipment or the cash-generating units to which the property, plant and equipment are allocated. The amount of impairment loss is measured as the difference between the carrying amount of the relevant property, plant and equipment or the cash-generating unit and their respective recoverable amount. The recoverable amount is higher of value in use and fair value less costs of disposal. The calculation of value in use required the management of the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows or fair value less costs of disposal are less or more than expected, or changes in facts and circumstances which result in revision of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss previously made may arise. As at 31st December, 2016, the carrying amount of property, plant and equipment is HK$10,555,000 (2015: HK$14,482,000). Details are set out in note 14.

5. 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 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)

5. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results (continued)

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 described in note 3. 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.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2016 HK$'000	2015 HK$'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 as described in note 15; 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.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2016

	Cold storage and related services HK$'000	Trading and related services HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	**1,549**	**28**	**–**	**1,577**	**23**	**1,600**
Depreciation	**4,766**	**189**	**–**	**4,955**	**269**	**5,224**
Allowance for trade receivables	**–**	**504**	**–**	**504**	**–**	**504**
Gain on disposal of property, plant and equipment	**7**	**–**	**–**	**7**	**–**	**7**
Impairment loss on property, plant and equipment	**–**	**289**	**–**	**289**	**–**	**289**

2015

	Cold storage and related services HK$'000	Trading and related services HK$'000	Money lending services HK$'000	Segments total HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets (note)	8,092	190	–	8,282	1,268	9,550
Depreciation	4,651	175	–	4,826	124	4,950
Allowance for trade receivables	–	517	–	517	–	517
Gain on disposal of property, plant and equipment	1,269	–	–	1,269	–	1,269

Note: Additions to non-current assets represented additions to property, plant and equipment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information (continued)

Amount regularly provided to the chief operating decision makers but not included in the measure of segment profit or loss or segment assets:

	Unallocated	
	2016	2015
	HK$'000	HK$'000
Interest in a joint venture	**–**	7,947
Share of loss of a joint venture	**(7,947)**	(3,875)
Interest income	**632**	567
Interest expense	**(6,405)**	(7,670)
Change in fair value of held for trading investments	**4**	(136)

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

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

6. OTHER INCOME

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

7. 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

8. 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

9. 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.

The taxation for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Loss before tax	**(12,327)**	(6,444)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(2,034)**	(1,063)
Effect of share of results of a joint venture	**1,311**	639
Tax effect of expenses not deductible for tax purpose	**122**	187
Tax effect of income not taxable for tax purpose	**(136)**	(157)
Tax effect of tax losses not recognised	**3,211**	3,356
Utilisation of tax losses previously not recognised	**(1,716)**	(2,145)
Tax effect of deductible temporary differences not recognised	**168**	10
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(926)**	(827)
Taxation for the year	**–**	–

Details of deferred taxation are set out in note 30.

10. 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

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 7 (2015: 8) directors were as follows:

	Executive directors (note 3)			Non-executive director (note 4)	Independent non-executive directors (note 5)			
	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Fung Wa Ko HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total 2016 HK$'000
Fees	**132**	**132**	**72**	**120**	**113**	**113**	**110**	**792**
Other emoluments								
Salaries and other benefits	**1,288**	**1,108**	**1,314**	**–**	**–**	**–**	**–**	**3,710**
Performance related bonuses (note 2)	**369**	**416**	**376**	**–**	**–**	**–**	**–**	**1,161**
Contributions to retirement benefits scheme	**105**	**22**	**63**	**–**	**–**	**–**	**–**	**190**
Total emoluments	**1,894**	**1,678**	**1,825**	**120**	**113**	**113**	**110**	**5,853**

	Executive directors (note 3)				Non-executive director (note 4)	Independent non-executive directors (note 5)			
	Tang Tsz Man, Philip HK$'000 (note 1)	Choy Kai Sing HK$'000	Ho Hon Chung, Ivan HK$'000	Au Tat Wai HK$'000	Fung Wa Ko HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming HK$'000	Fung Siu Kit, Ronny HK$'000	Total 2015 HK$'000
Fees	70	132	132	72	120	90	90	80	786
Other emoluments									
Salaries and other benefits	–	1,152	1,020	1,180	–	–	–	–	3,352
Performance related bonuses (note 2)	–	88	–	90	–	–	–	–	178
Contributions to retirement benefits scheme	3	94	22	52	–	–	–	–	171
Total emoluments	73	1,466	1,174	1,394	120	90	90	80	4,487

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' and chief executive's emoluments (continued)

Note 1: Mr. Tang Tsz Man, Philip resigned on 31st July, 2015. There was no compensation for the loss of office as a director in connection with the management of the affairs of any member of the Group.

Note 2: Certain executive directors of the Company are entitled to bonus payments which are determined based on the business performance of cold storage segment result.

Note 3: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Note 4: The non-executive director's emoluments shown above were for his services as directors of the Company.

Note 5: The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Au Tat Wai is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

Neither the Chief Executive nor any of the directors waived any emoluments in the years ended 31st December, 2016 and 31st December, 2015.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures in the table above. The emoluments of the remaining two (2015: two) individuals were as follows:

	2016 HK$'000	2015 HK$'000
Salaries and other benefits	**1,547**	1,565
Contribution to retirement benefits scheme	**36**	36
	1,583	1,601

Their emoluments were within the following band:

	2016 Number of employees	2015 Number of employees
Nil to HK$1,000,000	**2**	2

12. 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).

13. LOSS PER SHARE

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

	2016 **HK$'000**	2015 HK$'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.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST					
At 1st January, 2015	21,017	1,704	7,163	20,322	50,206
Additions	–	63	7,412	2,075	9,550
Disposals/write off	–	(7)	(2,890)	(731)	(3,628)
Exchange realignment	–	–	–	(1)	(1)
At 31st December, 2015	21,017	1,760	11,685	21,665	56,127
Additions	–	81	158	1,361	1,600
Disposals/write off	–	–	(65)	(624)	(689)
At 31st December, 2016	21,017	1,841	11,778	22,402	57,038
DEPRECIATION AND IMPAIRMENT					
At 1st January, 2015	17,289	1,623	5,034	16,372	40,318
Provided for the year	997	64	1,832	2,057	4,950
Eliminated on disposals	–	(6)	(2,890)	(731)	(3,627)
Exchange realignment	1	–	–	3	4
At 31st December, 2015	18,287	1,681	3,976	17,701	41,645
Provided for the year	951	70	2,329	1,874	5,224
Eliminated on disposals	–	–	(65)	(624)	(689)
Impairment loss recognised in profit or loss	127	31	–	131	289
Exchange realignment	4	1	–	9	14
At 31st December, 2016	19,369	1,783	6,240	19,091	46,483
CARRYING VALUES					
At 31st December, 2016	1,648	58	5,538	3,311	10,555
At 31st December, 2015	2,730	79	7,709	3,964	14,482

The above items of property, plant and equipment are depreciated on a straight-line method basis at the following rates per annum:

Leasehold improvements	Over the shorter of terms of the leases, or 10%
Furniture and fixtures	10%–$33^1/_3$%
Motor vehicles	20%–$33^1/_3$%
Plant and machinery and equipment	5%–50%

The carrying value of motor vehicles includes an amount of HK$3,792,000 (2015: HK$5,477,000) in respect of assets held under finance leases.

During the year, the directors conducted a review of the Group's property, plant and equipment, and determined that the recoverable amount of certain assets was minimal. Full impairment losses of HK$289,000 have been recognised in profit or loss.

15. GOODWILL

	2016 HK$'000	2015 HK$'000
COST		
At 1st January and at 31st December	**14,981**	14,981
IMPAIRMENT		
At 1st January and at 31st December	**6,400**	6,400
CARRYING VALUES		
At 31st December	**8,581**	8,581

Goodwill mainly arising from acquisition of subsidiaries amounting to HK$14,913,000 in 2006 was allocated to one cash-generating unit ("CGU"), which comprises of two wholly-owned subsidiaries of the Company engaged in the cold storage and logistics services, of which accumulated impairment loss of HK$6,400,000 (2015: HK$6,400,000) has been recognised.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2015: 5-year period), and discount rate of 14.86% (2015: 15.77%) per annum as derived by an independent qualified professional valuer. The cash flows beyond 5-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU. Based on the cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2015 and 31st December, 2016. No further impairment loss was necessary for both years.

16. INTEREST IN A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Cost of investment in a joint venture – unlisted	–	14,979
Share of losses	–	(7,032)
	–	7,947

Notes:

(a) As at 31st December, 2015, the Group had the following joint venture:

Name of joint venture	Place of establishment/ operations	Class of shares held	Proportion of ownership interest	Proportion of voting rights held	Principal activities
上海皆騰國際物流有限公司 ("上海皆騰")	PRC	Paid up capital	60%	67%	Provision of logistics services

(b) The summarised financial information below represents the aggregate amount of the Group's share of its interest in a joint venture:

	2016 HK$'000	2015 HK$'000
The Group's share of loss and total comprehensive expense for the year	7,947	3,875

(c) As at 31st December, 2015, the Group held 60% interest in 上海皆騰. However, the Group had 67% (2015: 67%) voting right in 上海皆騰 while all decisions of relevant activities of 上海皆騰 require unanimous consent from all the equity owners. Therefore, the directors of the Company consider that it is a joint venture of the Group.

On 7th July, 2016, the Group disposed of its entire interest in a wholly-owned subsidiary, Active Mind Global Limited, which held 100% interest in Autoyield Limited and 60% interest in 上海皆騰, at consideration of United States Dollar 1.

17. AVAILABLE-FOR-SALE INVESTMENT

	2016 HK$'000	2015 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(110,618)**	(110,618)
	38,502	38,502

The Group, through a 75% owned subsidiary, holds 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"). The Group does not have any significant influence nor any power to exercise significant influence over the management and participate in the financial and operating decisions of Richbo because the Group has no right to nominate nor appoint any director to the board of directors of Richbo and accordingly, the investment is not classified as associate.

The available-for-sale investment represents an effective 6% equity interest in an unlisted company incorporated in Macau. On 4th May, 2013, the indirectly owned investee, which held the hotel resort complex operation in Macau, and its major shareholder entered into an assets purchase agreement with some subsidiaries of Galaxy Entertainment Group Limited, an independent third party and a listed company on the Main Board of the Stock Exchange, to dispose of the underlying properties of hotel resort complex and other assets in some subsidiaries of its major shareholders at a cash consideration of HK$3,250,000,000. The disposal of these assets was completed on 17th July, 2013. The first payment for the disposal of HK$2,600,000,000 was received on 17th July, 2013 and the second payment of HK$650,000,000 was received on 16th January, 2015.

The Group re-assessed the recoverable amount of the available-for-sale investment with reference to the latest financial information of Richbo. No further impairment loss was recognised for the years ended 31st December, 2015 and 2016.

The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

At 31st December, 2016 and 31st December, 2015, details of Richbo are as follows:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% (note)	Investment holding

Note: 40% equity interest in Richbo is held by Brilliant Gold International Limited, a subsidiary in which the Company has 75% equity interest. None of the directors of the Company have beneficial interest in Richbo or being a board member of Richbo.

18. LOAN RECEIVABLES

	2016 HK$'000	2015 HK$'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. The credit risk exposures of these unsecured loan receivables are disclosed in note 40(b).

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 HK$'000	2015 HK$'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.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016 HK$'000	2015 HK$'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 approximate the respective revenue recognition dates.

	2016 HK$'000	2015 HK$'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.

19. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Aging of trade receivables which are past due but not impaired:

	2016 HK$'000	2015 HK$'000
Overdue:		
1–30 days	21,196	20,038
31–60 days	11,055	5,698
61–90 days	293	620
91–120 days	18	278
More than 120 days	3	–
	32,565	26,634

The movement in the allowance for doubtful debts during the year is as follows:

	2016 HK$'000	2015 HK$'000
At beginning of the year	1,832	1,315
Impairment loss recognised on trade receivables	504	517
Amounts written off as uncollectible	(1,832)	–
Exchange realignment	(30)	–
At end of the year	474	1,832

The Group reviews the recoverable amount of each individual trade 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 further provision required in excess of the allowance for doubtful debts.

20. AMOUNT DUE FROM NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The amount is unsecured, interest-free and repayable on demand.

21. HELD FOR TRADING INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed securities:		
– Equity securities listed in Hong Kong	**702**	698

22. BANK BALANCES AND CASH

Bank balances and cash comprise short-term bank deposits at average prevailing market interest rates of 0.7% (2015: 0.7%) per annum.

23. TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'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 HK$'000	2015 HK$'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.

24. AMOUNT DUE TO AN INVESTEE

The amount due to an investee is unsecured, interest-free and repayable within one year.

25. OBLIGATIONS UNDER FINANCE LEASES

	2016 HK$'000	2015 HK$'000
Analysed for reporting purposes are:		
Current liabilities	**1,853**	1,924
Non-current liabilities	**885**	2,738
	2,738	4,662

	Minimum lease payment		**Present value of minimum lease payment**	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Within one year	**1,929**	2,090	**1,853**	1,924
In the second to fifth years inclusive	**909**	2,839	**885**	2,738
	2,838	4,929	**2,738**	4,662
Less: future finance charges	**(100)**	(267)		
Present value of lease obligations	**2,738**	4,662		
Less: Amount due for settlement within one year shown under current liabilities			**(1,853)**	(1,924)
Amount due for settlement after one year			**885**	2,738

The obligations under finance leases represent the finance leases for ten (2015: ten) motor vehicles. The term of the leases ranged from three to five years (2015: three to five years) at a rate ranged from 1.4% to 2.5% (2015: 1.4% to 2.5%) per annum. The obligations are secured by the lessor's charge over the leased assets.

26. PROMISSORY NOTES

	2016 HK$'000	2015 HK$'000
The promissory notes are repayable as follows:		
Within one year	–	4,762

The fair value of promissory notes at 31st December, 2015 determined based on the present value of the estimated future cash outflow discounted at the prevailing market interest rate was HK$4,589,000.

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each
Issue price:	HK$50,000,000
Interest:	Zero-coupon
Original effective interest rate:	7.5% per annum
Maturity:	Repayable by ten equal installments of HK$5 million each on the consecutive anniversary of the date of issue of the promissory notes i.e. 8th September, 2006
Early repayment	The Company could, at its option, repay the promissory notes in whole or in part in multiples of HK$1 million by giving a prior ten business days' written notice to the vendor, commencing on the date three months after the completion date of acquisition in 2006 and up to the date immediately prior to the maturity date. There will not be any premium or discount to the payment obligations under the promissory notes for any early repayment.
Assignment:	With the prior notification to the Company, the promissory notes may be transferred or assigned by the holder(s) of the promissory notes. The promissory notes are not transferable to any connected persons of the Company.

The promissory notes contain two components, liability and the issuer's early repayment option.

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at 31st December, 2015.

27. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000	'000	HK$'000
Ordinary shares				
At 1st January, 2015, 31st December, 2015 and 31st December, 2016	60,000,000	600,000	2,432,304	24,323

28. BONDS

On 13th November, 2014, the Company and the placing agent entered into the placing agreement, pursuant to which placing agent has agreed to, on a best effort basis, to procure independent placees to subscribe in cash for the bonds in an aggregated principal amount of up to HK$500,000,000. During the years ended 31st December, 2015 and 31st December, 2014, the Company issued bonds with total principal amount of HK$60,000,000 and HK$40,000,000 respectively.

The principal terms of the bonds are summarised below:

Aggregate principal amount: Up to HK$500,000,000

Denomination: In denomination of HK$10,000,000 each in the minimum (or for any amount over HK$10,000,000, in integral multiples of HK$10,000,000 each).

Interest: 6% per annum, accrued daily on a 360-day basis and payable annually in arrears, up to the maturity date of the relevant bonds.

Maturity date: The seventh anniversary of the date of issue of the relevant bond.

Early redemption: The Company may at any time before the maturity date and from time to time by serving at least ten days' prior written notice to the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem the bonds (in whole or in part) at 100% of the total amount of such bonds together with payment of interests accrued up to the date of such early redemption.

At the end of the reporting period, interest on bonds payable at par value of HK$100,000,000 (2015: HK$100,000,000) is payable annually and the principal is repayable in full upon maturity.

29. SHARE OPTION SCHEME

The Company had a share option scheme which was adopted on 9th January, 2006 (the "2006 Scheme"). At the annual general meeting of the Company held on 29th May, 2015, the shareholders of the Company approved the termination of the 2006 Scheme and the adoption of a new share option scheme (the "2015 Scheme"). The 2015 Scheme is subsequently adopted on 2nd June, 2015 (the "Adoption Date"). There is no material difference between the terms of the 2006 Scheme and the 2015 Scheme.

The Company currently operates the 2015 Scheme, under which the Board may, at its discretion, grant share options to any eligible participant to subscribe for ordinary shares (the "Shares") of the Company subject to the terms and conditions stipulated therein.

Summary of the 2015 Scheme as required to be disclosed under Chapter 17 of the Listing Rules are set out below:

(a) Purpose:

The purpose of the 2015 Scheme is to provide incentives and rewards to the eligible participants who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group in recognition of their contribution to the Group.

(b) Eligibility:

Eligible participants include any full time or part time employees of the Group or any invested entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary or any invested entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any invested entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group eligible for options under the 2015 Scheme.

(c) (1) Total number of Shares in the capital of the Company available for issue under the 2015 Scheme as at end of the reporting period: 243,230,400

(2) Percentage of the issued share capital that it represents as at end of the reporting period: 10%

(d) Maximum entitlement of each eligible participant under the 2015 Scheme:

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to:

(1) each eligible participant must not exceed 1.0% of the total number of Shares in issue; and

(2) a substantial shareholder of the Company or an independent non-executive Director must not exceed 0.1% of the total number of Shares in issue and not exceed HK$5 million in aggregate value.

29. SHARE OPTION SCHEME (continued)

(e) Period within which the Shares must be taken up under an option:

An option may be exercised in whole or in part at any time during the period to be determined and notified by the Directors to the grantee thereof at the time of making an offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular option but subject to the provisions for early termination of the 2015 Scheme.

(f) Minimum period for which an option must be held before it can be exercised:

No specified minimum period for which an option must be held, unless otherwise specified by the Board at the time of grant.

(g) (1) Price payable on application or acceptance of the option: A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option.

(2) The period within which payments or calls must or may be made: 21 days after the offer date of an option (the "Offer Date").

(3) The period within which loans for the purposes of the payments or calls must be repaid: Not applicable.

(h) Basis of determining the subscription price:

The subscription price for Shares under the 2015 Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of:

(1) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on the Offer Date, which must be a business day;

(2) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the Offer Date; and

(3) the nominal value of the Share on the Offer Date.

(i) The remaining life of the 2015 Scheme: Approximately 8 years (expiring on 1st June, 2025)

No share options under the 2006 Scheme have been granted, exercised, lapsed or cancelled since the establishment of the 2006 Scheme. Since the Adoption Date and up to 31st December, 2016, no share options have been granted pursuant to the 2015 Scheme.

30. DEFERRED TAX LIABILITIES

The following are the major deferred tax assets (liabilities) recognised by the Group and movements thereon during the current and prior years.

	Tax losses	Accelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1st January, 2015	134	(134)	–
Credit (charge) for the year	352	(352)	–
At 31st December, 2015	486	(486)	–
Credit (charge) for the year	(13)	13	–
At 31st December, 2016	473	(473)	–

For the purpose of presentation in the consolidated statement of financial position, the deferred tax assets and liabilities have been offset.

At the end of the reporting period, the Group has deductible temporary difference of HK$3,143,000 (2015: HK$2,481,000) in respect of which no deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

At the end of the reporting period, the Group has unused tax losses of HK$122,825,000 (2015: HK$113,832,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,866,000 (2015: HK$2,945,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$119,959,000 (2015: HK$110,887,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$54,388,000 (2015: HK$37,876,000) that will expire from 2018 to 2021 (2015: 2018 to 2020). Other losses are carried forward indefinitely.

31. PLEDGE OF ASSETS

As at 31st December, 2016, bank facilities for providing guarantees by a bank for the Group's operation of cold storage service, to the extent of HK$3,500,000 (2015: HK$3,500,000) of the Group are secured by bank deposits amounting to HK$3,505,000 (2015: HK$3,500,000). The amount utilised at 31st December, 2016 was approximately HK$3,480,000 (2015: approximately HK$3,480,000).

As at 31st December, 2016, bank deposits of HK$86,500,000 (2015: HK$86,500,000) are 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.

The pledged deposits bear interest at average prevailing market interest rate of 0.7% (2015: 0.5%).

In addition, the Group's obligation under finance leases are secured by the lessor's charge over the leased assets as disclosed in note 14.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses, office premises and premises for the operation of trading and related services in the PRC in the future which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**99,665**	88,334
In the second to fifth years inclusive	**111,909**	185,217
	211,574	273,551

Included in the above, the major lease contracts are negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. The fixed monthly rentals are subject to review every three years.

33. CAPITAL COMMITMENT

	2016 HK$'000	2015 HK$'000
Share of capital expenditure of its joint venture contracted for but not provided in respect of acquisition of property, plant and equipment	**–**	3,679

34. DISPOSAL OF SUBSIDIARIES

As referred to in note 16(c), on 7th July, 2016, the Group disposed of its entire interest in a wholly-owned subsidiary, Active Mind Global Limited, which held 100% interest in Autoyield Limited and 60% interest in 上海皆騰, to an independent third party at consideration of United State Dollar 1. The net assets of the subsidiaries, at the date of disposal were as follows:

	7th July, 2016 HK$'000
Analysis of assets and liabilities over which control was lost:	
Interest in a joint venture	–
Bank balances and cash	51
Other payables and accruals	(6)
Net assets disposed of	45
Gain on disposal of subsidiaries:	
Consideration received and receivable	–
Net assets disposed of	(45)
Loss on disposal	(45)
Net cash outflow arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	(51)
	(51)

The impact of Active Mind Global Limited and Autoyield Limited on the Group's results and cash flows in the current and prior years is not significant to the Group.

35. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2015, the Group entered into finance leases in respect of the acquisition of property, plant and equipment with a total capital value of the inception of the leases of HK$4,374,000. No further finance lease was entered into in the current year.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**1**	1
Amounts due from subsidiaries	**177,465**	–
	177,466	1
CURRENT ASSETS		
Other receivables, deposits and prepayments	**540**	552
Amounts due from subsidiaries	**16,329**	274,095
Bank balances and cash	**42,201**	16,593
	59,070	291,240
CURRENT LIABILITIES		
Other payables	**3,832**	3,884
Amounts due to subsidiaries	**29,261**	29,267
Promissory notes	**–**	4,762
	33,093	37,913
NET CURRENT ASSETS	**25,977**	253,327
TOTAL ASSETS LESS CURRENT LIABILITIES	**203,443**	253,328
CAPITAL AND RESERVES		
Share capital	**24,323**	24,323
Share premium and reserves	**79,120**	129,005
	103,443	153,328
NON-CURRENT LIABILITY		
Bonds	**100,000**	100,000
	203,443	253,328

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note: Movement of the Company's reserves are set out below:

	Share premium HK$'000	Capital reserve HK$'00	Contributed surplus HK$'0000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2015	374,226	39,984	84,239	(273,030)	225,419
Loss for the year and total comprehensive expense for the year	–	–	–	(96,414)	(96,414)
At 31st December, 2015	374,226	39,984	84,239	(369,444)	129,005
Loss for the year and total comprehensive expense for the year	–	–	–	(49,885)	(49,885)
At 31st December, 2016	374,226	39,984	84,239	(419,329)	79,120

37. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees including directors in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of the independent trustee. The scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the Scheme.

In addition to the mandatory contribution of 5% of the payroll costs, the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Scheme.

Where there are employees who leave the MPF Scheme prior to vesting fully in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Group.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK$3,807,000 (2015: HK$3,251,000) represents contributions payable to the MPF Scheme and the state-managed retirement benefit schemes, there were no forfeited contributions available to reduce future contributions at the end of the reporting period.

38. RELATED PARTY TRANSACTIONS

During the year, the Group incurred logistics service fee to a joint venture of HK$2,707,000 (2015: HK$4,704,000).

The Group did not enter into any other transactions with its related parties.

The key management of the Group comprises all directors and the senior management, details of their remuneration are disclosed in note 11. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, which includes the promissory notes and bonds, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued capital, share premium and reserves as disclosed in consolidated statement of financial position.

The directors of the Company review the capital structure on a semi-annual basis. As a part of this review, the directors of the Company considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **HK$'000**	2015 HK$'000
Financial assets		
Held for trading investments	**702**	698
Loans and receivables (including cash and cash equivalents)	**356,874**	350,511
Available-for-sale investment	**38,502**	38,502
Financial liabilities		
Amortised cost	**158,700**	159,349

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and other receivables, amount due from non-controlling interests of a subsidiary, pledged bank deposits, loan receivables, held for trading investments, bank balances and cash, trade and other payables, amount due to an investee, promissory notes and bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for hedging or speculative purpose.

Market risk

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to pledged bank deposits and bank balances at floating interest rate. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

(ii) *Price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The management closely keeps watch of the price changes and takes appropriate action when necessary.

Since the interest rate risk and price risk are not significant, no sensitivity analysis is presented accordingly.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31st December, 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

For cold storage and related services segment, the Group has concentration of credit risk as 31% (2015: 23%) and 58% (2015: 55%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. For money lending services segment, the Group's loan receivables from three (2015: four) borrowers represent 100% of loan receivables. In order to minimise the concentration risk, the management of the Group has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts and performed annual review on customers' and borrowers' credit quality. In addition, the Group reviews the recoverable amount each individual debt, including trade receivables, loan receivables and amount due from non-controlling interests of a subsidiary at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and pledged bank deposits are limited because the counterparties are banks with good reputation.

40. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2016								
Non-interest bearing	–	58,700	–	–	–	–	58,700	58,700
Finance lease obligations								
– fixed rate	2.24	1,027	902	612	297	–	2,838	2,738
Bonds	6	3,600	2,400	6,000	58,000	63,600	133,600	100,000
		63,327	3,302	6,612	58,297	63,600	195,138	161,438

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2015								
Non-interest bearing	–	54,587	–	–	–	–	54,587	54,587
Finance lease obligations								
– fixed rate	2.29	1,045	1,045	1,929	910	–	4,929	4,662
Promissory notes	7.5	–	5,000	–	–	–	5,000	4,762
Bonds	6	3,600	2,400	6,000	18,000	109,600	139,600	100,000
		59,232	8,445	7,929	18,910	109,600	204,116	164,011

40. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial statements

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	2016	
	Level 1	**Total**
	HK$'000	**HK$'000**
Held for trading investments		
Listed equity securities (note)	**702**	**702**

	2015	
	Level 1	Total
	HK$'000	HK$'000
Held for trading investments		
Listed equity securities (note)	698	698

Note: The fair value of listed equity securities is determined with reference to quoted market bid prices from the Stock Exchange.

There were no transfers between Levels 1 and 2 during the year.

Except for the promissory notes as disclosed in note 26, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost (including pledged bank deposits, trade and other receivables, loan receivables, bank balances and cash, trade and other payables, amount due from non-controlling interests of a subsidiary, amount due to an investee and bonds) in the consolidated financial statements approximate their fair values.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31st December, 2016 and 2015 are as follows:

Name	Place of incorporation/ operation	Issued and paid-up ordinary shares/ registered capital	Proportion of ownership interest held by the Company 2016	2015	Principal activities
Direct subsidiary:					
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	**100%**	100%	Investment holding
Indirect subsidiary:					
Active Mind Global Limited	British Virgin Islands	US$1 Ordinary share	**–**	100%	Investment holding
Autoyield Limited	Hong Kong	HK$1 Ordinary share	**–**	100%	Investment holding
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	**75%**	75%	Investment holding
Brilliant Giant Trading Limited	Hong Kong	HK$1 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Provision of cold storage and related services
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	**100%**	100%	Sub-leasing of properties
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	**100%**	100%	Investment holding
Mayfair Pacific Finance (HK) Limited	Hong Kong	HK$5,000,000 Ordinary shares	**100%**	100%	Money lending service
Sanson Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Investment holding
Topgain Investments Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Investment holding
Win System Investments Limited	Hong Kong	HK$1 Ordinary share	**100%**	100%	Financial Investment
同瞬貿易(上海)有限公司	PRC#	RMB50,000,000 Registered capital RMB30,142,900 (2015: RMB25,062,210) paid-up capital	**100%**	100%	Trading and related services

Wholly foreign owned enterprise

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**305,651**	275,783	213,752	223,112	214,691
Loss for the year	**(12,327)**	(6,444)	(23,851)	(41,894)	(181,174)

	As at 31st December,				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**442,746**	456,653	386,311	350,633	422,420
Total liabilities	**(173,209)**	(174,107)	(96,591)	(37,244)	(113,386)
	269,537	282,546	289,720	313,389	309,034
Attributable to:					
Owners of the Company	**254,614**	267,623	274,797	298,466	294,797
Non-controlling interests	**14,923**	14,923	14,923	14,923	14,237
	269,537	282,546	289,720	313,389	309,034