DAIDO

Stock Code: 00544

DAIDO GROUP LIMITED

ANNUAL REPORT

2007

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Mr. Fung Wa Ko *(Chairman)*
Mr. Tang Tsz Man, Philip

Independent Non-Executive Directors

Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung *(Chairman)*
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming

Remuneration Committee

Mr. Leung, Tsz Fung David Ferreira *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming *(Chairman)*
Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira

COMPANY SECRETARY

Mr. Choy Kai Sing

STOCK CODE

00544

WEBSITE

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

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Hamilton HM11
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

DBS Bank (Hong Kong) 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
Room 1901-02
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

On behalf of the Board of Directors, I am pleased to present the Group's steady growth for 2007, mainly led by its continued performance in its cold storage and logistics operation, and Hong Kong's robust economy as a whole.

China's rapid growth has benefited Hong Kong's industries across the board. According to the Statistical Communiqué of the People's Republic of China on the 2007, China's gross domestic product (GDP) rose to over RMB24,500 billion, an increase of 11.4 percent over the previous year. National average consumer prices, with food prices in particular, grew 4.8 percent and 12.3 percent respectively.

The Group's cold storage and logistics sector continued to excel financially, making it the major contributor to the Group's business. Our facilities location in Kwai Chung, coupled with our good working relations with our long-term clients, has placed us in good position to capitalize on this buoyant economic growth in Mainland China in 2007. In addition, the Group's ice manufacturing and trading sector continues to perform steadily. I am confident that our operation will continue to thrive and produce positive growth in the coming year, and we will maximize our potential for the logistical demand that the upcoming 2008 Olympic Games will bring.

Our early investment in the Grand Waldo Hotel Complex in Macau, in 2006 has ensured our foothold in the Macau tourism industry. With the grand openings of three large chain hotel and casino resorts in 2007, this thriving Special Administrative Region made giant steps in its debut to the world as the 'Las Vegas of the East'. Tourism statistics from the Statistics and Census Services of Macau indicated that visitor arrivals in 2007 increased by 23%, with Mainland tourists accounting for 55% of the total. Per-capita spending of visitors increased by 2%, with Mainland visitors holding the highest per-capita spending of MOP3,080. The Group shall continue to monitor this investment with the potential long-term capital gain in mind.

It has been two years since the Group decided to enter the cold storage and logistics sector through restructuring and a series of acquisitions. In view of the high demand for freezer storage and the potential turnover growth, the Group will gradually convert its existing non-freezer compartments to freezer storage facilities. The Group will also continue to explore other business opportunities to enhance shareholders value.

Again, on behalf of the Board, I take this opportunity to extend my gratitude to each and every one of our shareholders for their continuous support to the Group. I would also like to recognize all the diligent effort and hard work my management team and staff have undertaken in making 2007 a prolific and fruitful year. We venture forward into the new fiscal year with confidence and assurance that our sustained success is due large in part to your steadfast and continued support.

FUNG WA KO
Chairman

Hong Kong, 18th April, 2008

OVERALL RESULTS

For the financial year ended 31st December, 2007, total turnover of the Group amounted to approximately HK$154 million, up 3% when compared to the previous financial year of approximately HK$150 million. Loss attributable to equity holders of the Group was approximately HK$17 million. The loss was mainly attributable to the impairment loss on available-for-sales investments of HK$11.6 million and impairment loss on goodwill of HK$3.2 million. Loss per share was HK0.45 cent.

The Group continues to run three business segments, namely (i) Cold Storage and Logistics Services, (ii) Manufacturing and Trading of Ice, and (iii) Property Investment.

BUSINESS REVIEW

Cold Storage and Logistics Services

In the fiscal year 2007, this sector achieved a steady growth of 6% in turnover, accounting for over 90% of total revenue for the Group. The segment profit was however decreased by 11% mainly due to the impairment loss on goodwill of HK$3.2 million accounted for during the first half of the year.

The total asset of this segment was increased to HK$138 million from HK$134 million last year, which is in line with the operating result during the year.

The Group is working towards its aim to be the leader in the cold storage and logistics market in Hong Kong. Dealing mainly with the import handling, storage and distribution of frozen foods, vegetable and dairy products from Mainland China, the Group has positioned itself in a stable yet high-performance sector that has benefitted from China and Hong Kong's economic growth.

Favorable factors in the economic environment continue to fuel Hong Kong's demand in cold storage and logistics services. Amidst Mainland China's robust GDP rise, Hong Kong in turn experienced a strong and broad-based economic increase of 6.3% GDP over the previous year. According to the Economic and Trade Information on Hong Kong updated latest on 3rd April, 2008, a total of 28.2 million visitors, or four times the size of the local population, visited Hong Kong in 2007 representing an 11.6% increase from 2006. These rising figures translate simply into an increased demand for food, and as a result have given this sector steady and stable growth.

Since the Group's entrance into this industry in January 2006, good business practices and dedication of the staff has earned the Group a sound reputation in this field. The Group continues to develop good long-term working relationships with various clients. These strong working ties had allowed the Group to thrive amidst fierce competition in this sector, and are a strong indicator of the Group's continued success to bring in revenue for its stakeholders as China and Hong Kong's economy continues to grow.

The Group expects that optimistic economic factors, such as the upcoming Beijing Olympics and continued growth of China's economy, coupled with effective management and cost control will bring in continued and steady revenue in its cold storage and logistics services.

Manufacturing and Trading of Ice

The Group produces ice bars and ice cubes for construction and consumable purposes under its Cold Storage operation.

Ice making, especially for consumption purpose, can be done on a small and cost-efficient basis. As such, the Group has channeled resources in this area to the more profitable cold storage business. The Ice Manufacturing and Trading sector accounted for approximately 2% of the total revenue of the Group in 2007, a decrease from the 3% it made up in 2006.

BUSINESS REVIEW (CONTINUED)

Property Investment

The Group's only property investment, the commercial property in Hunghom Commercial Centre remains vacant during the year. During the year, the Group recognized a change in fair value of the investment property in the sum of HK$1 million and recorded a profit of HK$0.5 million in this segment after deducting the operation cost of HK$0.5 million.

Hotel Investment

The Group currently owns an effective interest of 6% in the Grand Waldo Hotel Complex and an effective interest of 12% in the operation of the hotel and spa operation of the Grand Waldo Hotel Complex. During the year the Group has recognized an impairment loss of HK$11.6 million in the consolidated income statement due to the keen competition for hotel operation and spa operation and the effect of the disposal of effective interest of 6% in the Grand Waldo Hotel Complex. As a result, the carrying value of the available-for-sale investments was thus deceased by the same amount as compared to that of last year.

During the year, the Group received partial repayment of loan to an investee of HK$128 million, which in turn repaid HK$32 million for partial settlement of the amount due to a minority shareholder of a subsidiary. As a result of the above, the carrying amount of the loans to an investee and the amount due to a minority shareholder of a subsidiary have been decreased by the present value of the same amount as compared to that of last year.

PLEDGE OF ASSETS

As at 31st December, 2007, banking facilities to the extent of HK$3.3 million of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million.

As at 31st December, 2007, bank deposits of approximately HK$57 million (2006: approximately HK$57 million) are pledged to a bank which provides bank guarantee in favor of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

As at 31st December, 2006, banking facilities to the extent of HK$3.3 million of the Group were secured by all assets of a wholly-owned subsidiary of the Company with aggregate carrying amount of the total assets amounting to approximately HK$64 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2007, the Group had cash and bank balances of approximately HK$134 million (2006: approximately HK$41 million). The increase was mainly due to the partial repayment of loans to an investee of HK$128 million net of the partial settlement of amount due to a minority shareholder of a subsidiary of HK$32 million. The gearing ratio, measured as non-current borrowings over shareholder's equity was 17% as at 31st December, 2007 (2006: 40%), the decrease was attributable to the conversion of convertible bonds into new ordinary shares of the Company.

Monetary assets and liabilities of the Group are principally denominated in Hong Kong dollars. The directors consider the Group's exposure to exchange rate risks to be low. During the year, the Group's capital expenditure was financed by internal cash generation.

SHARE CAPITAL STRUCTURE

During the year, the Company has issued 688 million new ordinary shares upon the conversion of convertible bonds.

As at 31st December, 2007, the total issued share capital of the Company was HK$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK$0.01 each.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2007, the total number of employees of the Group in Hong Kong was 268 (2006: 280). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides various staff benefits including discretionary bonuses, Mandatory Provident Fund and professional tuition/training subsidiaries for employees' benefit.

PROSPECTS

Favorable conditions such as the upcoming 2008 Olympic Games and the booming tourism in Macau all speak potential steady growth for the Group's businesses.

Cold Storage and Logistics Services

Around 70% of the Group's current cold storage facilities are freezers, (with temperatures at -16 to -20 deg Celsius). The other 30% are chillers (with temperatures at +0.5 to +6 deg Celsius), and air-conditioning units (with temperatures +15 to +24 deg Celsius). In view of the high demand for freezer storage and the potential turnover growth, the Group has identified possible gain by gradually converting its existing non-freezer compartments to freezer storage facilities.

Hotel Investment

Tourism statistics released by the Statistics and Census Services of Macau showed Mainland tourists accounting for over 55% of the total number of arrivals in 2007. Mainland tourists spent an average of MOP3,000, almost double the per-capita spending of the average tourist. The Group believes that the tremendous spending potential of the Mainland tourist will most certainly bring significant positive contribution to the Group in this division in future.

With the continued increase of Mainland tourists and their generous spending during their Macau trips, the Group is confident it has secured a property with great potential for significant contribution to the long-term performance of the Group.

The Group seeks to continue the strengthening of its core businesses, whilst at the same time explore new business opportunities in order to bring maximum returns to its shareholders.

MR. FUNG WA KO, aged 46, joined the Group and appointed as the chief executive officer and executive director in October 2003 and appointed as the Deputy Chairman of the Group in April 2004. He has become the Chairman of the Group in August 2006. He is responsible for the overall operations throughout the Group. Mr. Fung has over 18 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. TANG TSZ MAN, PHILIP, aged 42, joined the Group as an executive director in August 2003. He is the managing director of Grandtel Communications Limited. Mr. Tang has over ten years of business management experience.

MR. LEUNG CHI HUNG, aged 52, joined the Group as an independent non-executive director in September 2003. He has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. Mr. Leung is a certified public accountant (Practising) in Hong Kong and a director of Arthur Mo & Co. Limited, he is also an independent non-executive director of Dore Holdings Limited (formerly known as Teem Foundation Group Ltd.), a company listed on the Stock Exchange.

MR. LEUNG, TSZ FUNG DAVID FERREIRA, aged 40, joined the Group as an independent non-executive director in July 2005. He has extensive experience in financial services. Mr. Leung also serves as business consultants in various advertising and event marketing companies. He is also a director of GFS Investments (Middle East) Limited, a company incorporated in Dubai.

MR. TSE YUEN MING, aged 40, joined the Group as an independent non-executive director in August 2003. He is a partner of Messrs. George Tung, Jimmy Ng & Valent Tse. Mr. Tse holds a bachelor of laws degree with honours from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. He is also a director in various companies engaging in animation, trading, card games and construction business in Hong Kong.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41(i) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2007 are set out in the consolidated income statement on page 23.

The directors do not recommend the payment of a dividend for the year.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 25 to the consolidate financial statements.

During the year, convertible bonds with principal amount of HK$79,808,000 have been converted into 688,000,000 ordinary shares at the conversion price of HK$0.116 per share. All the new shares issued rank pari passu in all respects with the existing shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2007 comprised contributed surplus of HK$84,239,000 (2006: HK$84,239,000) and retained profits of HK$5,946,000 (2006: HK$3,162,000).

Details of the Company's distributable reserves are set out in note 41(ii) to the consolidated financial statements.

DIRECTORS

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

Executive directors

Mr. Fung Wa Ko *(Chairman)*
Mr. Tang Tsz Man, Philip

Independent non-executive directors

Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming

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

All directors are subject to retirement by rotation in accordance with Company's Bye-Laws. The independent non-executive directors are each appointed for a term of one year and will continue thereafter unless and until terminated by either party given the other not less than three months' notice, but is also subject to retirement by rotation and re-election under the Company's Bye-Laws.

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 one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS

As at 31st December, 2007, none of the Company's directors, chief executives 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 would have 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, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were 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

Particulars of the share option scheme of the Company are set out in note 26 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2007 and 31st December, 2007 and no share option was granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the above-mentioned share option scheme, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2007, to the best knowledge of the directors or chief executives of the Company, the following parties (other than the directors or chief executives of the Company), had interests or short positions in the shares or underlying shares of the Company which are 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 are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO are as follows:

Long positions of the substantial shareholder in the shares and underlying shares of the Company:

Name of shareholder	Capacity	No. of shares held	No. of underlying shares held	Percentage of total issued share capital
Ever Achieve Enterprises Limited *(Note 1)*	Beneficial owner	1,011,615,665	–	24.27%
China Star Entertainment Limited *(Note 2)*	Interest of controlled corporation	700,000,000	–	16.79%
Ever Apollo Limited *(Note 3)*	Beneficial owner	160,000,000	210,344,828	8.88%
Fung Ho Sum *(Note 3)*	Interest of controlled corporation	160,000,000	210,344,828	8.88%
Wong Ka May *(Note 3)*	Spouse interest	160,000,000	210,344,828	8.88%
Equity Capital Group Limited *(Note 4)*	Beneficial owner	311,615,664	–	7.47%
So Yiu Ming, Sunny *(Note 4)*	Interest of controlled corporation	311,615,664	–	7.47%
Lam Fung Yee, Venue *(Note 4)*	Spouse interest	311,615,664	–	7.47%

Notes:

1. The entire issued share capital of Ever Achieve Enterprises Limited is owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.

2. China Star Entertainment Limited is deemed to be interested in the 700,000,000 shares which are held by its wholly-owned subsidiary, Classical Statue Limited.

3. Other than the interest in 160,000,000 shares, Ever Apollo Limited is also deemed to have interest in the share capital of the Company in respect of the number of shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bonds under the SFO. Ms. Wong Ka May is the spouse of Mr. Fung Ho Sum who is the beneficial owner of Ever Apollo Limited.

4. Ms. Lam Fung Yee, Venue is the spouse of Mr. So Yiu Ming, Sunny who is the beneficial owner of Equity Capital Group Limited.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Save as disclosed above, as at 31st December, 2007, the directors or chief executives of the Company are not aware of any other person (other than a director or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which are 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 are recorded in the register of interests required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2007, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 36% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 16% of the Group's total turnover.

For the year ended 31st December, 2007, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 52% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 23% 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 decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provision 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.

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 13 to 21.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2007.

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 Rules Governing the Listing Securities on the Stock Exchange. 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

Fung Wa Ko
Chairman

Hong Kong, 18th April, 2008

Investors' awareness and expectations on the standard of corporate governance have increasingly been raised since early 1990's. Throughout the years, the Board has long emphasised the importance of good corporate governance. The Board and senior management believe that good corporate governance is the critical success factor for the Group's long-term success and beneficial for the interest of the stakeholders and investors of the Company.

The Board and senior management are committed to maintain a high standard of corporate governance aiming at improving transparency, independence, accountability, responsibility and fairness of the Group. As such, the Board introduces the Internal Control Action Plan since 2006 in order to systematically review the work procedures in different departments and develop a comprehensive system to facilitate the internal control of the Group. Further details of the work of review of the internal control of the Group are discussed and stated in paragraph headed "Internal Control and Risk Management".

Besides, the Company has applied and complied the principles of the code provision under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2007, except for the deviation as stated in paragraph headed "Chairman and Chief Executive Officer".

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, Remuneration Committee and Nomination 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 comprises five directors, of whom two are executive directors namely, Mr. Fung Wa Ko (*Chairman and Chief Executive Officer*) and Mr. Tang Tsz Man, Philip, and three are independent non-executive directors namely, Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming.

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among the Directors, especially between the Chairman and the Chief Executive Officer of the Company.

Such balanced Board composition, coupled with the strong independent element, is over and above the recommended practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. The participation of independent non-executive directors in the Board brings independent judgement to ensure that the interests of all shareholders of the Company have been duly considered.

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive directors, of whom Mr. Leung Chi Hung is certified public accountant (Practising) in Hong Kong. He has commenced his accountancy professional training since 1976 and now is members of international accountancy bodies.

BOARD OF DIRECTORS (CONTINUED)

Board Composition (continued)

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. Each of Directors' respective biographical details is set out in page 7 of this annual report.

The Board considers that all of the independent non-executive directors are independent and has received from each of them the annual confirmation of independence required by Rule 3.13 of the Listing Rules.

Role 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 growth and financial performance of the Group.

The Board delegates day-to-day operations of the Group to executive directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive directors who have attended at board meetings.

The Board held regular board meetings for four times and other board meetings for nine times during the year ended 31st December, 2007. Details of the Directors' attendance are as follows:

	Attendance in regular meetings	**Attendance in other board meetings**
Executive Directors		
Mr. Fung Wa Ko *(Chairman and Chief Executive Officer)*	4/4	9/9
Mr. Tang Tsz Man, Philip	4/4	4/9
Independent Non-executive Directors		
Mr. Leung Chi Hung	4/4	8/9
Mr. Leung, Tsz Fung David Ferreira	4/4	3/9
Mr. Tse Yuen Ming	4/4	5/9

Apart from the regular board meetings of the year, the Board will meet 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 meeting 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, when required. The Directors can also seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging 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. Moreover, the Company Secretary prepares minutes and keeps records of matters discussed and decisions resolved at all board meeting. The minutes are open for inspection at any reasonable time on reasonable notice by any Director.

BOARD OF DIRECTORS (CONTINUED)

Role of the Board (continued)

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

Appointment, Re-election and Removal

There is no service contract entered between each of the executive directors of the Company and the Company except for Mr. Fung Wa Ko. There was a service contract of Mr. Fung being appointed as a chief executive officer of the Company entered with the Company. The service contract of Mr. Fung was commenced from 13th October, 2003 and shall continue until terminated by either party giving the other not less than one month's notice.

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

According to the Bye-Laws of the Company, any director be 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 once every three years, so as to comply with code provision A.4.2.

Chairman and Chief Executive Officer

According to the CG Code requirement, the Chairman and Chief Executive Officer 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 discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Chairman and Chief Executive Officer of the Company are currently performed by Mr. Fung Wa Ko. Taking to account Mr. Fung has strong expertise and excellent insight of the business development, corporate management and budget control, this structure will lead to more effective implementation of the overall strategy and ensure smooth operation of the Company. The Board believed that this structure will not impair the balance of power and authority between the Board and the management of the business of the Company as the structure of the Company has strong independent non-executive directors' element on the Board.

In order to maintain the high quality of the corporate governance and comply with the CG Code requirement, the Board and Nomination Committee will regularly review the need of appointment of different individuals to perform the roles of Chairman and Chief Executive Officer separately.

COMMITTEES OF THE BOARD

Nomination Committee

The Nomination Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005. The terms of reference of the Nomination Committee include making recommendations for all appointment and re-appointment of Directors to the Board and is available on the Company's website. The Nomination Committee comprises three members, all of whom are independent non-executive directors. The members are:

Mr. Tse Yuen Ming *(Chairman)*
Mr. Leung Chi Hung
Mr. Leung, Tsz Fung David Ferreira

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 determining the independence of each 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 performance, 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. Leung, Tsz Fung David Ferreira 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.

None of the independent non-executive Directors has served as Directors for more than nine years.

The Nomination Committee meets at least once during the year. The Nomination Committee meeting was held on 17th April, 2007 to review the structure, size and composition of the Board and assess the independence of independent non-executive directors of the Company.

Remuneration Committee

The Remuneration Committee was established on 30th June, 2005 with adoption of its terms of reference on 12th July, 2005 and available on the Company's website.

The Remuneration Committee consists of three independent non-executive directors and its members are:

Mr. Leung, Tsz Fung David Ferreira *(Chairman)*
Mr. Leung Chi Hung
Mr. Tse Yuen Ming

The Remuneration Committee discharged the responsibility of determining the specific remuneration packages of all executive directors and senior management, including benefits-in-kind, pension rights, and compensation payments, and to advise the Board on the remuneration of the independent 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 performance of the Group as well as those individual Directors and senior management.

COMMITTEES OF THE BOARD (CONTINUED)

Remuneration Committee (continued)

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 new share option scheme on 9th January, 2006 (''Share Option Scheme'') in order to comply with the amended Chapter 17 of the Listing Rules. Such incentive scheme enable the eligible persons to obtain an ownership interest in the Company and thus will motivate them to optimize their contributions to the Group.

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2007 are set out in note 10(a) to the consolidated financial statements and details of the Share Option Scheme are set out in the Directors' Report and note 26 to the consolidated financial statements.

The Remuneration Committee meets at least once during the year. The Remuneration Committee meeting was held on 17th April, 2007 to review the current remuneration policy of the Group and review the remuneration package of the board members and senior management of the Group.

Audit Committee

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 terms of reference of the Audit Committee were revised on 12th July, 2005 in terms substantially the same as the provisions set out in the CG Code and it is available on the Company's website. The Audit Committee comprises three members, all of whom are independent non-executive directors. The members are:

Mr. Leung Chi Hung *(Chairman)*
Mr. Leung, Tsz Fung David Ferreira
Mr. Tse Yuen Ming

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

COMMITTEES OF THE BOARD (CONTINUED)

Audit Committee (continued)

For the year ended 31st December, 2007, the Audit Committee met five times during the year and had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2006 and the unaudited financial statements for the six months ended 30th June, 2007;

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 auditor;

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

6. reviewed the effectiveness of internal control system.

Each member of the Audit Committee has unrestricted access to the auditors and all senior management of the Group. At least once annually, the Audit Committee meets the external auditors without the presence of the management.

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

At the meeting held on 16th April, 2008, the Audit Committee reviewed this corporate governance report, the Directors' report and financial statements for the year ended 31st December, 2007, with a recommendation to the Board for approval.

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 meeting held		
	Nomination Committee	**Remuneration Committee**	**Audit Committee**
Independent Non-executive Directors			
Mr. Leung Chi Hung	1/1	1/1	5/5
Mr. Leung, Tsz Fung David Ferreira	1/1	1/1	5/5
Mr. Tse Yuen Ming	1/1	1/1	5/5

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 auditor 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 22.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS (CONTINUED)

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 upon the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a set of code of conduct for regarding directors' 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 "Company's Model Code"). 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 Company's Model Code during the year under review.

To enhance the corporate governance of the Group as a whole, all relevant employees who likely to be in possession of unpublished price sensitive information in relation to the Group or securities of the Company are subject to full compliance with the Company's Model Code. No incident of non-compliance was noted by the Company during the year under review.

EXTERNAL AUDITOR AND THEIR REMUNERATION

The Group's external auditor is Deloitte Touche Tohmatsu for the year ended 31st December, 2007 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, 2007 has been audited by Deloitte Touche Tohmatsu.

The Audit Committee is responsible for considering the appointment of the external auditor and also reviews any non-audit functions performed by the external auditor 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 auditor 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, 2007, the external auditor of the Group provided the following services to the Group:

	2007 **HK$'000**	2006 HK$'000
Audit services	**630**	670
Review on interim results	**180**	170
Other advisory services	**–**	594
Total:	**810**	1,434

The Audit Committee is of the view that the auditor's independence was not affected by the provision of these non-audit related services during the year ended 31st December, 2007.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsible for maintaining sound and effective internal control systems to safeguard the Company's assets and Shareholders' interest, as well as for reviewing its effectiveness of the internal control system through the Audit Committee.

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 Company and its subsidiaries have adopted a set of internal control procedures and policies for safeguarding assets against unauthorized 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 Board, through the Audit Committee, has conducted the internal control review. Since 2006, the Company developed the Internal Control Action Plan in order to systematically review the work procedures in different departments and develop a comprehensive system to facilitate the internal control of the Group.

The Internal Control Action Plan included the following stages:

In stage one, a high-level risk assessment was conducted by an external advisor to review the internal control system of the Group.

In stage two, review was conducted on each department and which included the following steps:

1. Document the work-flow of each department of Company's major subsidiaries to review their existing internal control system;

2. Carry out walk through test for the internal control system on each department and verify the effectiveness of such control;

3. Carry out detail sample testing on the internal control system of each department and make recommendations to those weaknesses identified; and

4. Re-test the control implementation.

In year 2006, with the assistance of an external advisor, the Company has conducted a High-Level Risk Assessment to review the internal control system of the Group. In the report, key risks of the Group are identified, analyzed, ranked and reported. The findings were presented to the Audit Committee and the Board and no material deficiencies on the internal control system of the Group were found.

Stage two was started in 2007, during the year, some key areas including account receivable, account payable and cash handling process of the major departments – Accounting Department, Sales & Marketing Department and Operation Department, which involved daily operations, had been reviewed. The key objective is to review the control of cash flow in those major departments and to ensure the Company's financial stability.

Through the review, a number of control deficiencies principally in relation to segregation of duties were identified. Accordingly, those deficiencies have been rectified and all related control of those deficiencies have also been retested and satisfied.

In coming years, the Company will implement detail test in those major departments to examine the control effectiveness. Review will also be conducted in the internal and administrative departments which involved Human Resources and Administrative Department, Information Technology Department, Engineering and Maintenance Department and Quality Assurance Department.

As an integral part of good corporate governance, the Company will monitor its internal control system in an on-going basis in order to ensure an effective and practical control system is implemented.

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 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) 2666 0803; 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 CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Remuneration and Nomination Committees to answer the questions at the general meeting. As the chairman of Remuneration Committee and Nomination Committee were not available to attend at the annual general meeting of the Company held on 23rd May, 2007 in person, they had delegated the Chairman of the Board to answer the question at the annual general meeting on their behalf.

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 Stock Exchange website. 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.

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

Deloitte.
德勤

TO THE SHAREHOLDERS OF DAIDO GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited and its subsidiaries (collectively referred as the "Group") set out on pages 23 to 71, which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st December, 2007 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 18th April, 2008

		Continuing operations		Discontinued operations		Total	
		2007	2006	**2007**	2006	**2007**	2006
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue	*4*	**154,444**	145,744	**-**	4,022	**154,444**	149,766
Direct costs		**(132,392)**	(126,225)	**-**	(3,488)	**(132,392)**	(129,713)
Gross profit		**22,052**	19,519	**-**	534	**22,052**	20,053
Other income	*5*	**17,545**	9,724	**-**	15	**17,545**	9,739
Selling and distribution expenses		**(3,597)**	(3,568)	**-**	(465)	**(3,597)**	(4,033)
Administrative expenses		**(22,413)**	(21,259)	**-**	(928)	**(22,413)**	(22,187)
Impairment loss on goodwill	*15*	**(3,200)**	–	**-**	–	**(3,200)**	–
Impairment loss on available-for-sale investments	*17*	**(11,600)**	–	**-**	–	**(11,600)**	–
Gain on disposal of subsidiaries	*6*	**-**	–	**-**	879	**-**	879
Change in fair value of investment properties	*13*	**1,000**	–	**-**	–	**1,000**	–
Fair value adjustment on loans to an investee	*18*	**(7,521)**	–	**-**	–	**(7,521)**	–
Finance costs	*7*	**(9,109)**	(4,241)	**-**	–	**(9,109)**	(4,241)
(Loss) profit before tax		**(16,843)**	175	**-**	35	**(16,843)**	210
Tax (charge) credit	*8*	**(73)**	103	**-**	–	**(73)**	103
(Loss) profit for the year	*9*	**(16,916)**	278	**-**	35	**(16,916)**	313
Dividend	*11*					**-**	–
(Loss) earnings per share – basic	*12*						
– from continuing and discontinued operations						**HK (0.45) cent**	HK 0.01 cent
– from continuing operations						**HK (0.45) cent**	HK 0.01 cent

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Investment properties	13	**18,000**	17,000
Property, plant and equipment	14	**19,682**	21,862
Goodwill	15	**11,713**	14,913
Interest in an associate	16	**–**	–
Available-for-sale investments	17	**137,520**	149,120
Loans to an investee	18	**106,150**	232,479
Rental deposits paid		**14,218**	14,218
Pledged bank deposits	21 & 33	**60,375**	56,875
		367,658	506,467
CURRENT ASSETS			
Inventories		**93**	–
Trade and other receivables	20	**34,815**	31,994
Tax recoverable		**607**	1,155
Bank balances and cash	21	**134,010**	41,156
		169,525	74,305
CURRENT LIABILITIES			
Trade and other payables	22	**14,686**	11,878
Obligations under a finance lease	23	**143**	135
Promissory notes	24	**4,762**	4,762
		19,591	16,775
NET CURRENT ASSETS		**149,934**	57,530
TOTAL ASSETS LESS CURRENT LIABILITIES		**517,592**	563,997
CAPITAL AND RESERVES			
Share capital	25	**41,680**	34,800
Reserves		**402,293**	369,027
Equity attributable to equity holders of the Company		**443,973**	403,827
Minority interest		**2**	2
		443,975	403,829
NON-CURRENT LIABILITIES			
Obligations under a finance lease	23	**88**	231
Amount due to a minority shareholder of a subsidiary	27	**26,536**	56,864
Convertible bonds	28	**18,097**	71,380
Promissory notes	24	**27,928**	30,420
Deferred taxation	29	**968**	1,273
		73,617	160,168
		517,592	563,997

The consolidated financial statements on pages 23 to 71 were approved and authorised for issue by the Board of Directors on 18th April, 2008 and are signed on its behalf by:

FUNG WA KO
Chairman

TANG TSZ MAN, PHILIP
Director

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Retained profits**	**Convertible bond equity reserve**	**Total**	**Minority interest**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2006	30,000	–	284,706	–	314,706	–	314,706
Profit for the year representing total recognised income for the year	–	–	313	–	313	–	313
Placement of new shares	4,800	50,880	–		55,680	–	55,680
Expenses incurred in relation to placement of new shares	–	(1,732)	–	–	(1,732)	–	(1,732)
Acquisition of assets through the acquisition of subsidiaries	–	–	–	–	–	2	2
Recognition of equity component of convertible bond	–	–	–	34,860	34,860	–	34,860
At 31st December, 2006	34,800	49,148	285,019	34,860	403,827	2	403,829
Loss for the year representing total recognised expense for the year	–	–	(16,916)	–	(16,916)	–	(16,916)
Conversion of convertible bonds into ordinary shares	6,880	76,895	–	(26,713)	57,062	–	57,062
At 31st December, 2007	41,680	126,043	268,103	8,147	443,973	2	443,975

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before tax		**(16,843)**	210
Adjustments for:			
Allowance for inventories		**–**	287
Allowance for trade receivables		**118**	–
Depreciation and amortisation		**6,550**	5,423
Finance costs		**9,109**	4,241
Gain on disposal of subsidiaries		**–**	(879)
Loss on disposal of property, plant and equipment		**91**	18
Impairment loss on goodwill		**3,200**	–
Impairment loss on available-for-sale investments		**11,600**	–
Interest income		**(15,984)**	(9,261)
Change in fair value of investment properties		**(1,000)**	–
Fair value adjustment on loans and advances		**6,581**	–
Operating cash flows before movements in working capital		**3,422**	39
Increase in long-term receivables		**–**	(516)
Decrease in rental deposits paid		**–**	56,991
Increase in inventories		**(93)**	(537)
(Increase) decrease in trade and other receivables		**(2,939)**	12,132
Increase in amounts due from customers for contract work		**–**	(3)
Increase (decrease) in trade and other payables		**2,808**	(16,618)
Increase in amounts due to customers for contract work		**–**	55
Net cash generated from operations		**3,198**	51,543
Hong Kong Profits Tax refunded (paid)		**170**	(8,117)
NET CASH FROM OPERATING ACTIVITIES		**3,368**	43,426
INVESTING ACTIVITIES			
Interest received		**6,792**	5,501
Purchase of property, plant and equipment		**(4,646)**	(2,983)
Proceeds from disposal of property, plant and equipment		**185**	60
Acquisition of subsidiaries, net of cash and cash equivalent acquired	30	**–**	(230,213)
Disposal of subsidiaries, net of cash and cash equivalent disposed of	31	**–**	19,664
Repayment from other loans receivable		**–**	3,000
Repayment from an investee		**128,000**	–
Increase in pledged deposits		**(3,500)**	(56,875)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**126,831**	(261,846)

	Notes	2007 HK$'000	2006 HK$'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	55,680
Expenses incurred in relation to placement of new shares		**–**	(1,732)
Repayment of promissory notes		**(5,000)**	–
Interest paid		**(18)**	(26)
Repayment of amount due to a minority shareholder of a subsidiary		**(32,000)**	–
Repayment of obligations under a finance lease		**(135)**	(127)
Cash settlement of conversion of convertible bonds resulted in odd shares		**(192)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(37,345)**	53,795
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**92,854**	(164,625)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**41,156**	205,781
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**134,010**	41,156

1. GENERAL

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 section headed "Corporate information" in the annual report.

The principal activities of the Group are provision for cold storage and related logistics services, manufacturing and trading of ice, property investment and investment holding.

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

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

In the current year, the Group has applied, for the first time, the following of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early adopted the following new and revised standards, amendment or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]

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

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions[3]
HK(IFRIC) – Int 12	Service Concession Arrangements[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st March, 2007.
4 Effective for annual periods beginning on or after 1st January, 2008.
5 Effective for annual periods beginning on or after 1st July, 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions prior to 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Jointly controlled operations

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

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

Logistics service income is recognised when services are provided.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset 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.

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as assets owned by the Group or, where shorter, the term of the relevant lease.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (continued)

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade and other receivables.

Impairment losses on tangible assets other than goodwill and financial instruments

At each balance sheet date, 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 the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

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 the consolidated income statement on a straight-line basis over the term of the relevant lease.

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 balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement benefit costs

Payments to defined contribution retirement benefit plan/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation of monetary items, are recognised in profit or loss in the period in which they arise.

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 as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement 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 balance sheet date.

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and 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

The Company's financial assets are classified as loans and receivables and available-for-sale financial assets. 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.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to an investee, rental deposits paid, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as financial assets at fair value through profit or loss or loans and receivables. Available-for-sale 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 each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 on 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 asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where 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 impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, they are assessed to be impaired individually and the objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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 available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bond

Convertible bond issued by the Company that contains both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. Conversion option which will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rates of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bond into equity, is included in equity (convertible bond equity reserve).

In subsequent periods, the liability component of the convertible bond is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the embedded option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bond are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bond using the effective interest method.

Other financial liabilities

Other financial liabilities (including trade and other payables, promissory notes, convertible bonds and amount due to a minority shareholder of a subsidiary) are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires The difference between the carrying amount of the financial liability derecognised and the consideration received or receivable is recognised in profit or loss.

4. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007 **HK$'000**	2006 HK$'000
Continuing operations		
Cold storage services and logistics service	**151,175**	141,849
Manufacturing and trading of ice	**3,269**	3,895
	154,444	145,744
Discontinued operations		
Revenue from construction work contracting and sales of concrete products	**–**	4,022
	154,444	149,766

Business segments

For management purposes, the Group is currently organised into three operating segments – cold storage and logistics services, manufacturing and trading of ice and property investment.

On 22nd February, 2006, the Company announced that a conditional sale and purchase agreement was entered into among one of its wholly-owned subsidiaries and the purchaser in respect of the disposal of the entire issued capital in certain subsidiaries which carried out construction work contracting and sales of concrete products. The disposal was completed in March 2006. Accordingly, the business segment of construction work contracting and sales of concrete products was classified as discontinued operations.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

Segment information about these businesses is presented below as primary segment information.

2007

	Continuing operations				Discontinued operations	
	Cold storage and logistics services	**Manufacturing and trading of ice**	**Property investment**	**Total**	**Construction work contracting and sales of concrete products**	**Consolidated**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	151,175	3,269	–	154,444	–	154,444
SEGMENT RESULT	6,478	(2,648)	476	4,306	–	4,306
Unallocated income						16,924
Unallocated expenses						(9,843)
Impairment loss on available-for-sale investments						(11,600)
Finance costs						(9,109)
Fair value adjustment on loans to an investee						(7,521)
Loss before tax						(16,843)
Tax charge						(73)
Loss for the year						(16,916)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

BALANCE SHEET

	Continuing operations				Discontinued operations	
	Cold storage and logistics services	Manufacturing and trading of ice	Property investment	Total	Construction work contracting and sales of concrete products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS						
Segment assets	137,854	1,426	18,111	157,391	–	157,391
Unallocated corporate assets						379,792
Consolidated total assets						537,183
LIABILITIES						
Segment liabilities	12,708	–	12	12,720		12,720
Unallocated corporate liabilities						80,488
Consolidated total liabilities						93,208

OTHER INFORMATION

	Continuing operations					Discontinued operations	
	Cold storage and logistics services	Manufacturing and trading of ice	Property investment	Unallocated	Total	Construction work contracting and sales of concrete products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance for trade receivables	118	–	–	–	118	–	118
Impairment loss on goodwill	3,200	–	–	–	3,200	–	3,200
Impairment loss on available-for-sale investments	–	–	–	11,600	11,600	–	11,600
Capital expenditure	4,506	7	–	133	4,646	–	4,646
Depreciation	5,879	428	–	243	6,550	–	6,550

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

2006

	Continuing operations				Discontinued operations	
	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
REVENUE	141,849	3,895	–	145,744	4,022	149,766
SEGMENT RESULT	7,313	(2,432)	(534)	4,347	(854)	3,493
Unallocated income						9,261
Unallocated expenses						(9,182)
Finance costs						(4,241)
Gain on disposal of subsidiaries	–	–	–	–	879	879
Profit before tax						210
Tax credit						103
profit for the year						313

BALANCE SHEET

	Continuing operations				Discontinued operations	
	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	134,084	1,984	17,111	153,179	–	153,179
Unallocated corporate assets						427,593
Consolidated total assets						580,772
LIABILITIES						
Segment liabilities	9,214	105	12	9,331	–	9,331
Unallocated corporate liabilities						167,612
Consolidated total liabilities						176,943

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

OTHER INFORMATION

	Continuing operations					Discontinued operations	
	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000	Construction work contracting and sales of concrete products HK$'000	Consolidated HK$'000
Allowance for inventories	–	–	–	–	–	287	287
Capital expenditure	951	1,886	–	146	2,983	–	2,983
Depreciation and amortisation	4,739	404	–	220	5,363	60	5,423

Geographical segments

More than 90% of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover are derived from customers located in Hong Kong.

All the segment assets of the Group are located in Hong Kong and all the additions to property, plant and equipment during the year are located in Hong Kong.

5. OTHER INCOME

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Interest income from						
– bank deposits	**6,792**	5,406	**–**	10	**6,792**	5,416
– loans receivable	**–**	85	**–**	–	**–**	85
Imputed interest income from loans to an investee	**9,192**	3,760	**–**	–	**9,192**	3,760
Sundry income	**1,561**	473	**–**	5	**1,561**	478
	17,545	9,724	**–**	15	**17,545**	9,739

6. GAIN ON DISPOSAL OF SUBSIDIARIES

Discontinued operations

On 17th February, 2006, the Group disposed of its entire equity interest in Daido Building Materials Limited, Daido Home International (B.V.I.) Limited, Daido Home International Limited and Ytong Hong Kong Limited, which were engaged in the business of construction work contracting and sales of concrete products, for a cash consideration of HK$25,000,000. The disposal was completed on 6th March, 2006.

The gain on disposal of subsidiaries was HK$879,000. No tax charge or credit was arisen on the disposal.

The carrying amounts of the assets and liabilities of the disposed companies at date of disposal are disclosed in note 31.

7. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on obligations under a finance lease	**18**	26	**–**	–	**18**	26
Imputed interest expense on amount due to a minority shareholder of a subsidiary	**2,612**	1,567	**–**	–	**2,612**	1,567
Imputed interest expense on convertible bonds	**3,971**	1,840	**–**	–	**3,971**	1,840
Imputed interest expense on promissory notes	**2,508**	808	**–**	–	**2,508**	808
	9,109	4,241	**–**	–	**9,109**	4,241

8. TAX CHARGE (CREDIT)

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The tax charge (credit) comprises:						
Hong Kong Profits Tax						
Current year	**378**	(304)	**–**	–	**378**	(304)
Underprovision in respect of prior years	**–**	38	**–**	–	**–**	38
	378	(266)	**–**	–	**378**	(266)
Deferred tax (note 29)						
Current year	**(305)**	163	**–**	–	**(305)**	163
Tax charge (credit)	**73**	(103)	**–**	–	**73**	(103)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

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

	2007	2006
	HK$'000	HK$'000
(Loss) profit before tax	**(16,843)**	210
Tax at the Hong Kong Profits Tax rate of 17.5%	**(2,948)**	37
Tax effect of expenses not deductible for tax purpose	**5,783**	866
Tax effect of income not taxable for tax purpose	**(2,797)**	(1,821)
Tax effect of tax losses not recognised	**283**	739
Tax effect of utilisation of tax loss not previously recognised	**(299)**	–
Underprovision in respect of prior years	**–**	38
Others	**51**	38
Tax charge (credit) for the year	**73**	(103)

9. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit for the year has been arrived at after charging:						
Allowance for inventories	**–**	–	**–**	287	**–**	287
Allowance for trade receivables	**118**	–	**–**	–	**118**	–
Amortisation of prepaid lease payments	**–**	–	**–**	60	**–**	60
Auditors' remuneration	**810**	768	**–**	76	**810**	844
Cost of inventories sold	**62**	–	**–**	3,488	**62**	3,488
Depreciation for property, plant and equipment						
Owned assets	**6,442**	5,255	**–**	–	**6,442**	5,255
Assets held under finance leases	**108**	108	**–**	–	**108**	108
Exchange loss, net	**–**	–	**–**	12	**–**	12
Loss on disposal of property, plant and equipment	**91**	18	**–**	–	**91**	18
Minimum lease payments for operating leases in respect of rented premises	**57,335**	57,514	**–**	–	**57,335**	57,514
Direct expense from investment properties not generating rental income	**517**	514	**–**	–	**517**	514
Total staff costs (including directors' emoluments)	**39,024**	36,960	**–**	667	**39,024**	37,627

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fung Wa Ko	Tang Tsz Man, Philip	Leung Chi Hung	Tse Yuen Ming	Leung Tsz Fung David Ferreira	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	80	–	80	80	80	320
Other emoluments						
Salaries and other benefits	1,040	120	–	–	–	1,160
Contributions to retirement benefits scheme	38	2	–	–	–	40
Total emoluments	1,158	122	80	80	80	1,520

	Fung Wa Ko	Tang Tsz Man, Philip	To Shu Fai	Leung Chi Hung	Tse Yuen Ming	Leung Tsz Fung David Ferreira	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Fees	–	–	–	80	80	80	240
Other emoluments							
Salaries and other benefits	1,120	120	–	–	–	–	1,240
Contributions to retirement benefits scheme	34	2	–	–	–	–	36
Total emoluments	1,154	122	–	80	80	80	1,516

No directors waived any emoluments in the year ended 31st December, 2007 and 2006.

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

The five highest paid individuals included one (2006: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2006: four) individuals, are as follows:

	2007 **HK$'000**	2006 HK$'000
Salaries and other benefits	**2,158**	2,457
Contribution to retirement benefits scheme	**76**	74
	2,234	2,531

Their emoluments were within the following band:

	2007 **Number of employees**	2006 Number of employees
Nil to HK$1,000,000	**4**	4

11. DIVIDEND

No interim dividend was paid during the year (2006: nil).

The directors do not recommend the payment of a dividend for the year.

12. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic (loss) earnings per share attributable to the ordinary equity holders of the company is based on the following data:

	2007 **HK$'000**	2006 HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share	**(16,916)**	313
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**3,790,071**	3,289,315

12. (LOSS) EARNINGS PER SHARE (CONTINUED)

From continuing operations

The calculation of the basic (loss) earnings per share from continuing operations attributable to the ordinary equity holders of the company is based on the following data:

	2007	2006
	HK$'000	HK$'000
(Loss) earnings		
(Loss) earnings for the year	**(16,916)**	313
Less: profit for the year from discontinued operations	**–**	35
(Loss) earnings for the purposes of basic (loss) earnings per share from continuing operations	**(16,916)**	278

The denominators used are the same as those detailed above for basic (loss) earnings per share.

From discontinued operations

Basic earning per share for discontinued operations during the year ended 31st December, 2006 was insignificant based on the earning for that year from discontinued operations of HK$35,000. The denominators used are the same as those detailed above for basic earnings per share.

The effect of convertible bonds is excluded from the calculation of diluted (loss) earnings per share for both years since the effect will be anti-dilutive.

13. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2006 and 31st December, 2006	17,000
Increase in fair value recognised in income statement	1,000
At 31st December, 2007	18,000

The fair value of the Group's investment properties at 31st December, 2007 and 31st December, 2006 have been arrived at on the basis of valuations carried out by Greater China Appraisal Limited, an independent firm of professional property valuers not connected with the Group. The directors of Greater China Appraisal Limited, who carry out the valuation are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties of the Group are situated in Hong Kong and held under medium-term leases. The investment properties as at 31st December, 2007 are vacant.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Motor vehicles	Plant and machinery and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST					
At 1st January, 2006	–	179	538	85	802
Additions	109	472	415	1,987	2,983
Acquisition of subsidiaries	11,672	645	3,356	7,871	23,544
Disposals	–	–	(119)	(38)	(157)
At 31st December, 2006	11,781	1,296	4,190	9,905	27,172
Additions	159	173	2,665	1,649	4,646
Disposals	–	–	(454)	(1,031)	(1,485)
At 31st December, 2007	11,940	1,469	6,401	10,523	30,333
DEPRECIATION					
At 1st January, 2006	–	4	19	3	26
Provided for the year	1,550	276	1,046	2,491	5,363
Eliminated on disposals	–	–	(52)	(27)	(79)
At 31st December, 2006	1,550	280	1,013	2,467	5,310
Provided for the year	1,561	386	1,387	3,216	6,550
Eliminated on disposals	–	–	(178)	(1,031)	(1,209)
At 31st December, 2007	3,111	666	2,222	4,652	10,651
CARRYING VALUES					
At 31st December, 2007	8,829	803	4,179	5,871	19,682
At 31st December, 2006	10,231	1,016	3,177	7,438	21,862

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

Leasehold improvements	Over the shorter of terms of the leases or 25%
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$305,000 (2006: HK$418,000) in respect of asset held under a finance lease.

15. GOODWILL

	HK$'000
COST	
At 1st January, 2006	–
Arising from acquisition of subsidiaries	14,913
At 31st December, 2006 and 31st December, 2007	14,913
IMPAIRMENT	
At 1st January, 2006 and 31st December, 2006	–
Impairment	3,200
At 31st December, 2007	3,200
CARRYING VALUES	
At 31st December, 2007	11,713
At 31st December, 2006	14,913

During the year, the Group has recognised an impairment loss on goodwill amounting to HK$3,200,000 in the consolidated income statement. Goodwill in 2006 was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage and logistics services.

Due to the effects caused by the continuous decrease in the demand of cold storage service and the uncertainty about the market demand, the Group has revised its cash flow forecasts for the CGU during the year by reducing the growth rate of projected revenue generated from the cold storage service. The CGU has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

The recoverable amount of this 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 12-year period, and discount rate of 12%. 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 sales and gross margin, such estimation is based on the CGU's past performance and management's expectations for the market development.

16. INTEREST IN AN ASSOCIATE

	2007 HK$'000	2006 HK$'000
Cost of investment in an associate	**2,000**	2,000
Share of post-acquisition losses, net of dividends received	**(1,827)**	(1,827)
Less: Impairment	**(173)**	(173)
	–	–

As at 31st December, 2007, the Group has interest in the following associate:

Name	**Form of business structure**	**Place of incorporation and operation**	**Class of shares held**	**Proportion of nominal value of issue capital held indirectly by the Company**	**Principal activities**
iNeTalk.com Limited	Incorporated	Hong Kong	Ordinary	16% (note)	Development and deployment of high quality internet-based communication services

Note: This company has been accounted for as an associate as, in the opinion of the directors, the Group is in a position to exercise significant influence over the management of this company as one of the director of the Company is also a director of iNeTalk.com Limited.

Summarised unaudited financial information in respect of the Group's associate is set out below:

	2007 HK$'000	2006 HK$'000
Total assets	**2,106**	2,539
Total liabilities	**(2,176)**	(2,501)
Net (liabilities) assets	**(70)**	38
Group's share of associate's net assets-	**–**	–
Revenue	**–**	16
Loss for the year	**(108)**	(393)
Group's share of associate's net loss	**–**	–

16. INTEREST IN AN ASSOCIATE (CONTINUED)

The Group has discontinued recognition of its share of loss of its associate. The amount of unrecognised share of loss, extracted from the management accounts of the associate, both for the year and cumulatively, are as follows:

	2007 **HK$'000**	2006 HK$'000
Unrecognised share of loss associate for the year	**(17)**	(63)
Accumulated unrecognised share of loss of associate	**(80)**	(63)

17. AVAILABLE-FOR-SALE INVESTMENTS

	2007 **HK$'000**	2006 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(11,600)**	–
	137,520	149,120

The Group has, through an acquisition of subsidiaries, acquired certain assets including the above available-for-sale investments in 2006. The above unlisted shares represent the Group's indirect interest of 40% of the issued ordinary shares of Richbo (as defined below), a private entity incorporated in the British Virgin Islands (Note 30(b)). In the opinion of the directors of the Company, the Group does not have any significant influence nor any power to exercise significant influence over the management of Richbo because the Group does not and has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

Richbo, a company principally engaged in investment holding, holds 44.45% (2006: 50%) interest in Hoover International Limited, which in turn holds 90% (2006: 80%) interest in a group that operates an investment property and a hotel resort complex in Macau. As at 31st December, 2006, the Group, through its subsidiary and Richbo held 12% effective interest in an investment property and held 12% effective interest in a hotel resort complex operation. In February 2007, as a result of a partial disposal of indirect equity interest of Richbo by the Group that holds the investment property, the effective interest of the Group in the investment property has been reduced from 12% to 6%.

The investment is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group has recognised the impairment loss on available-for-sale investments amounting to HK$11,600,000 in the consolidated income statement. The amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale investments and the present value of the estimated future cash flows of investment property, hotel operation and spa operation discounted at 14%, 16% and 18% respectively. Due to the keen competition for hotel operation and spa operation in Macau foreseen by the Group, and the effect of partial disposal of equity interest of an investee holding the investment property, the Group has revised its cash flow forecasts and the carrying amount of available-for-sale investments has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

17. AVAILABLE-FOR-SALE INVESTMENTS (CONTINUED)

At 31st December, 2007 and 31st December, 2006, the Group has equity interest in Richbo:

Name	Form of business structure	Place of incorporation	Place of operation	Class of shares held	Proportion of nominal value of issue capital held indirectly by the Company	Principal activities
Richbo Enterprises Limited ("Richbo")	Incorporated	British Virgin Islands	Hong Kong	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 and being the board member of Richbo.

18. LOANS TO AN INVESTEE

The loans to Richbo were originated from the acquisition of assets as discussed in note 30(b). The loans are unsecured, interest-free and with no fixed repayment terms. The directors of the Company considered that the amount will not be repaid within twelve months from the balance sheet date, and accordingly, the amounts are shown as non-current.

The interest-free loans are initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the loans is 8.5% (2006: 8.5%) per annum.

During the year, the amount of HK$128,000,000 has been early repaid by the investee, resulting the fair value adjustment on loans to an investee of HK$1,253,000 credited to the consolidated income statement. At 31st December, 2007, the Group re-estimated the cash flows of the remaining balance and discounted at the original effective interest rate and the fair value adjustment on loans to an investee amounted to HK$8,774,000 has been charged to consolidated income statement. Accordingly, the net fair value adjustment on loans to an investee during the year was HK$7,521,000.

The credit risk on loans to investee has been mentioned in note 40(b).

19. INTERESTS IN JOINT CONTROLLED OPERATION

During the year ended 31st December, 2006, the Group has entered into a joint venture agreement in the form of a jointly controlled operation to jointly provide logistics services. The Group has a 50% interest in the joint venture.

At 31st December, 2007, the aggregate amount of assets, liabilities, income and expenses recognised in the consolidated financial statements in relation to interests in jointly controlled operation are as follows:

	2007 HK$'000	2006 HK$'000
Assets	**411**	256
Liabilities	**(221)**	(115)
Income	**1,256**	727
Expenses	**(957)**	(556)

20. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK$31,237,000 (2006: HK$24,801,000) with an aged analysis by invoice dates as follows:

	2007	2006
	HK$'000	HK$'000
0-30 days	**14,313**	11,851
31-60 days	**11,189**	8,915
61-90 days	**5,358**	3,544
91-120 days	**203**	25
More than 120 days	**174**	466
	31,237	24,801

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

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$12,137,000 (2006: HK$9,589,000) which are neither past due nor impaired and the debtors are considered to have good credit quality.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$19,100,000 (2006: HK$15,212,000) 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 and most of the balances have been settled subsequent to the balance sheet date. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2006: 60 days).

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

	2007	2006
	HK$'000	HK$'000
1-30 days	**7,309**	6,297
31-60 days	**6,056**	4,880
61-90 days	**5,358**	3,544
91-120 days	**203**	25
More than 120 days	**174**	466
	19,100	15,212

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	2007 **HK$'000**	2006 HK$'000
At beginning of the year	**59**	96
Impairment losses recognised on receivables	**118**	–
Amounts written off during the year	**(21)**	(37)
At end of the year	**156**	59

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amount. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

21. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short term bank deposits at average prevailing market interest rates of 3.95% (2006: 3.86%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 3.93% (2006: 4.05%) per annum.

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$5,254,000 (2006: HK$3,398,000) with an aged analysis as follows:

	2007 **HK$'000**	2006 HK$'000
0-30 days	**3,278**	2,400
31-60 days	**1,337**	744
61-90 days	**638**	218
91-120 days	**1**	36
	5,254	3,398

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

23. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payment		Present value of minimum lease payment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Within one year	**153**	153	**143**	135
In the second to fifth year inclusive	**89**	242	**88**	231
	242	395	**231**	366
Less: future finance charges	**(11)**	(29)		
Present value of lease obligations	**231**	366		
Less: Amount due for settlement within one year shown under current liabilities			**(143)**	(135)
Amount due for settlement after one year			**88**	231

The obligations under a finance lease represents the finance lease for a motor vehicle. The term of the lease is for four years at a fixed rate of 2.5% per annum and is secured by the lessor's charge over the leased asset.

24. PROMISSORY NOTES

	2007	2006
	HK$'000	HK$'000
The promissory notes are repayable as follows:		
On demand or within one year	**4,762**	4,762
In the second year	**4,431**	4,431
In the third to fifth year inclusive	**11,530**	11,530
Over five years	**11,967**	14,459
	32,690	35,182
Less: Amounts due for settlement within one year shown under current liabilities	**(4,762)**	(4,762)
Amounts due for settlement after one year	**27,928**	30,420

The fair value of promissory notes at 31st December, 2007 approximates to its carrying amount.

24. PROMISSORY NOTES (CONTINUED)

The major terms of the promissory notes are summarised below:

Principal amount:	Ten promissory notes with a principal amount of HK$5 million each.
Interest:	Zero-coupon
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 holder(s) of promissory notes, commencing on the date three months after the completion date of acquisition (as discussed in note 30) 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.

25. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	HK$'000	'000	HK$'000
Ordinary shares of HK$0.01 each				
At 1st January, 2006	5,000,000	50,000	3,000,000	30,000
Placement of new shares	–	–	480,000	4,800
At 31st December, 2006	5,000,000	50,000	3,480,000	34,800
Conversion of convertible bonds into ordinary shares	–	–	688,000	6,880
At 31st December, 2007	5,000,000	50,000	4,168,000	41,680

During the year ended 31st December, 2007, convertible bonds with principal amount of HK$79,808,000 have been converted into 688,000,000 ordinary shares at the conversion price of HK$0.116 per share. All the new shares issued rank pari passu in all respects with then existing shares.

The placement of shares was completed on 26th May, 2006 and 480,000,000 ordinary shares of HK$0.01 each in the Company were issued at a price of HK$0.116 per share. All the new shares issued rank pari passu in all respects with the then existing shares.

26 SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a shareholders' resolution passed on 9th January, 2006 for the purpose of providing incentives and rewards to eligible participants who contribute to the Group and will expire on 8th January, 2016.

Under the Scheme, the directors of the Company are authorised at their absolute discretion, to invite any person or group (the "Eligible Participant"), who is eligible to participate in the Scheme, to take up options to subscribe for shares of the Company (the "Share(s)"), at a price equal to the higher of: (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of offer; (2) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer; and (3) the nominal value of a Share.

Options granted must be taken up not later than 21 days after the date of offer. The exercise period for the share options granted is determinable by the Directors, which may not expire later than 10 years from the date of offer of the option, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses under the early termination or cancellation provisions under the Scheme or 10 years from the offer date of the option. A price of HK$1.00 is payable by the Eligible Participant to the Company on acceptance of the offer of the option.

Shares which may be issued upon exercise of all options to be granted under the Scheme or any other share option scheme of the Company must not in aggregate exceed 300,000,000 Shares, representing 10% of the Shares in issue as at the date the shareholders conditionally approved and adopted the Scheme. Unless approved by shareholders of the Company, the total number of Shares issued and to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Group (whether exercised or outstanding) in any 12-month period granted to each Eligible Participant must not exceed 1% of the Shares in issue.

As at the balance sheet date, no share options have been granted by the Company since the adoption of the Scheme.

27. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount was originated from the acquisition of assets as disclosed in note 30(b). The interest-free balance is initially measured at fair value and subsequently measured at amortised cost determined using the effective interest method. The effective interest rate of the amount is 8.5% (2006: 8.5%) per annum.

The amount is unsecured, interest-free and will not be demanded for repayment within twelve months from the balance sheet date, and accordingly, the amount is shown as non-current.

During the year, amount of HK$32,000,000 has been early repaid by the Group, resulting the fair value adjustment on amount due to a minority shareholder of a subsidiary of HK$1,253,000 charged to the consolidated income statement. At 31st December, 2007, the Group re-estimate the cash flows of the remaining balance and discounted at the original effective interest rate and the fair value adjustment on amount due to a minority shareholder of a subsidiary amounted to HK$2,193,000 has been credited to consolidated income statement. Accordingly, the net fair value adjustment on amount due to a minority shareholder of a subsidiary during the year was HK$940,000.

28. CONVERTIBLE BONDS

The Company issued zero-rate convertible bonds at the principal of HK$104.4 million during the year ended 31st December, 2006. The convertible bonds are denominated in Hong Kong dollars.

The convertible bonds contain a fixed term of five years from the date of issue. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the convertible bonds were issued, the Company can redeem the outstanding principal amount of the convertible bonds in whole or in part at redemption premium of 5% of the amount to be redeemed by giving a prior ten business days' written notice to the convertible bonds holders, at any time commencing from the issue date of the bonds and prior to the maturity date. The conversion price is HK$0.116 per share and subject to anti-dilutive adjustments, and the convertible bonds do not confer any voting rights at any meetings of the Company. Provided that the conversion does not trigger off a mandatory offer under rule 26 of The Codes on Takeovers and Mergers in Hong Kong on the part of the bondholder(s), the bondholder(s) may convert the whole or part (in multiples of HK$1 million) of the principal amount of the convertible bonds into shares at the conversion price from the issue date up to the maturity date. The Company shall redeem the outstanding convertible bonds at face values at the maturity date.

The convertible bonds contain three components, liability, equity element and the issuer's redemption option. The equity element is presented in equity heading "convertible bond-equity reserve". The effective interest rate of the liability component is 8.5% (2006: 8.5%) per annum.

The fair value of the redemption option of the convertible bonds was considered as insignificant at the date of issue and at each balance sheet date.

The movement of the liability component of the convertible bonds for the year is set out below:

	2007 **HK$'000**	2006 HK$'000
Carrying amount at beginning of the year/the date of issue	**71,380**	69,540
Conversion during the year	**(57,254)**	–
Imputed interest expense	**3,971**	1,840
Carrying amount at end of the year	**18,097**	71,380

The fair value of the liability component of the convertible bonds at 31st December, 2007, determined based on the present value of the estimated future cash outflows discounted at an effective interest rate of 6.7% per annum for an equivalent non-convertible bonds at the balance sheet date, was HK$19,192,000 (2006: HK$71,930,000).

29. DEFERRED TAXATION

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

	Tax losses HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January, 2006	70	(70)	–
Acquisition of subsidiaries	27	(1,137)	(1,110)
Credit (charge) to the consolidated income statement for the year	6	(169)	(163)
At 31st December, 2006	103	(1,376)	(1,273)
Credit (charge) to the consolidated income statement for the year	306	(1)	305
At 31st December, 2007	409	(1,377)	(968)

At the balance sheet date, the Group has unused tax losses of HK$28,870,000 (2006: HK$27,249,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$2,336,000 (2006: HK$589,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$26,534,000 (2006: HK$26,660,000) due to the unpredictability of future profit streams.

30. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of business

On 17th October, 2005, Newton Luck Limited ("Newton"), a wholly-owned subsidiary of the Company, entered into an agreement with Choice Master Investments Limited ("Choice Master"), an independent third party, and Mr. Yeung Ming Kwong, Tony, the sole and beneficial shareholder and director of Choice Master pursuant to which Newton conditionally agreed to acquire and Choice Master conditionally agreed to sell to Newton the entire issued share capital of Best Merchant Limited at a cash consideration of HK$56 million. The acquisition was completed on 9th January, 2006.

The group headed by Best Merchant Limited carries out the businesses of provision of cold storage and logistics services, and manufacturing and trading of ice.

30. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(a) Acquisition of business (continued)

The carrying amounts of the net assets, which approximate to their fair values, acquired in the transaction, and the goodwill arising are as follows:

	HK$'000
Net assets acquired:	
Property, plant and equipment	23,544
Trade and other receivables	39,267
Bank balances and cash	1,637
Trade and other payables	(12,939)
Tax payable	(7,228)
Deferred tax liabilities	(1,110)
	43,171
Goodwill	14,913
Total consideration	58,084
Satisfied by:	
Cash	56,000
Cash paid for expenses related to acquisition	2,084
	58,084
Net cash outflow arising on acquisition:	
Cash consideration paid	(56,000)
Cash paid for expenses related to acquisition	(2,084)
Bank balances and cash acquired	1,637
	(56,447)
Deposit paid for acquisition in prior year	10,000
	(46,447)

The goodwill arising on the acquisition of Best Merchant Limited is attributable to the anticipated profitability of the businesses of provision of cold storage and logistics services.

Best Merchant Limited contributed approximately of HK$145.7 million and HK$5.1 million to the Group's revenue and profit after tax, respectively, for the period between the date of acquisition and 31st December, 2006.

30. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of assets through acquisition of subsidiaries

On 29th May, 2006, the Group entered into agreement to acquire from an independent third party ("Vendor") the entire equity interest in Jumbonet International Profits Limited ("Jumbonet").

Jumbonet, through Brilliant Gold International Limited ("Brilliant Gold", 75% owned as to Jumbonet and 25% owned directly by the Vendor) and Brilliant Gold's 40% owned investee, Richbo Enterprises Limited (the "Investee" or "Available-for-sale Investments"), holds 44.45% (2006: 50%) interest in Hoover International Limited, which in turn holds 90% (2006: 80%) interest in a group that operates a hotel resort complex in Macau.

The total consideration for the acquisition is HK$336 million, which is the aggregate consideration for (i) equity interest in Jumbonet; and (ii) a shareholder loan owed by Jumbonet to the Vendor.

The acquisition has been accounted for as purchase of assets as the Group acquired the Available-for-sales investments at a cost of HK$149,120,000 (see note 17) and a shareholder's loan extended to Richbo Enterprises Limited at HK$228,719,000 (the "Loans to an Investee", see note 18). Upon the completion of the acquisition, the Group also assumed the obligation to repay to the Vendor its portion of shareholder's loan in Jumbonet amounting to HK$55,297,000 (shown as "amount due to a minority shareholder of a subsidiary", see note 27). Details of the acquisition were set out in the circular of the Company dated 21st August, 2006. The acquisition was approved by the shareholders during the special general meeting of the Company being convened on 4th September, 2006.

The consideration for the above acquisition was satisfied by cash of HK$183,766,000 (including cash consideration of HK$181,600,000 and expenses related to the acquisition of HK$2,166,000), promissory notes with principal amount of HK$50,000,000 (fair value at the date of acquisition is HK$34,374,000) and convertible bonds with principal amount of HK$104,400,000.

31. DISPOSAL OF SUBSIDIARIES

Discontinued operations

Details of the disposal are set out in note 6. The major classes of assets and liabilities of construction work contracting and sales of concrete products at the date of disposal, disposed of in March 2006 were as follows:

	HK$'000
Property, plant and equipment	6,919
Long-term receivables	6,152
Prepaid lease payments	2,836
Inventories	5,973
Trade and other receivables	6,397
Amounts due from customers for contract work	3
Deferred tax assets	88
Bank balances and cash	4,868
Assets classified as held-for-sale	33,236
Amounts due to customers for contract work	(4,072)
Trade and other payables	(5,424)
Guarantee money received	(87)
Liabilities associated with assets classified as held for sale	(9,583)
Net assets disposed of	23,653
Cost incurred in relation to the disposal	468
Gain on disposal of subsidiaries	879
Total consideration	25,000
Net cash inflow arising on disposal:	
Cash consideration received	25,000
Cost incurred in relation to the disposal	(468)
Bank balances and cash disposed of	(4,868)
	19,664

The subsidiaries disposed of during the year ended 31st December, 2006 had constituted a cash outflow of HK$3,307,000 in the Group's operating activities, cash inflow of HK$3,005,000 in the investing activities and did not have cash flow in respect of financing activities.

The disposed subsidiaries had contributed HK$4,022,000 to the Group's revenue and no significant contributions to the Group's profit during the year ended 31st December, 2006.

32. MAJOR NON-CASH TRANSACTIONS

During the year ended 31st December, 2006, the acquisition of assets through acquisition of subsidiaries was partially settled by the issue of convertible bonds and promissory notes (see note 30(b)).

33. PLEDGE OF ASSETS

As at 31st December, 2007, bank facilities to the extent of HK$3,300,000 of the Group were secured by bank deposits amounting to HK$3,500,000.

As at 31st December, 2007, bank deposits of HK$56,875,000 (2006: HK$56,875,000) 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.

As at 31st December, 2006, banking facilities to the extent of HK$3,300,000 of the Group were secured by all assets of a wholly-owned subsidiary of the Company with aggregate carrying amount of the total assets amounting to HK$64,000,000.

34. CONTINGENT LIABILITIES

As at 15th February, 2005, the Group had disposed of certain subsidiaries, namely Best Goal International Limited, Double Worth Profits Limited, Brilliant Gain Investments Limited and Ultimate Profits Limited, and provided a deed of indemnity to the purchaser up to 2012 in the amount of HK$5 million in respect of potential tax claimed by tax authority of these subsidiaries. The directors have not received any claims from the acquirer and are of the opinion that the potential tax claims was remote and hence, will not give rise to any material adverse impact on the financial position of the Group. No provision has been made in the consolidated financial statements of the Group.

35. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of cold storage warehouses and office premises which fall due as follows:

	2007 **HK$'000**	2006 HK$'000
Within one year	**65,189**	57,408
In the second to fifth year inclusive	**262,320**	227,501
Over five years	**204,396**	234,610
	531,905	519,519

At 31st December, 2007, leases are negotiated for terms of fourteen years and can be terminated by providing one year notice after the first ten years of tenancy. Monthly rentals are fixed up to February 2008 and rentals for the remaining lease terms has been determined in February 2008 based on market conditions.

36. RETIREMENT BENEFITS SCHEMES

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The original ORSO Scheme operated by the Group were cancelled accordingly. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were switched to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF 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 ORSO Scheme or MPF Scheme prior to vesting fully in the contributions, the market value of the unvested portion will be refunded to the Group.

The total cost charged to the consolidated income statement of HK$1,622,000 (2006: HK$2,175,000) represents contributions payable to the MPF Scheme, there are no forfeited contributions utilised in the ORSO Scheme and the MPF Scheme during the year.

37. RELATED PARTY TRANSACTIONS

During the year, the Group did not enter into any transactions with its related parties.

The key management of the Group comprises all directors and the five highest paid employees, details of their remuneration are disclosed in note 10. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

38. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company 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, a material impairment loss may arise.

Estimated impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgment is required when determining whether a decline in fair value has been significant or prolonged. In making this judgment, the historical data on market volatility as well as the price of the specific investment are taken into account. The Group also takes into account other factors, such as industry and sector performance and financial information regarding the investee. The Group has assessed the impairment by comparing the carrying amount of the available-for-sale investments and the present value of the estimated future cash flows of underlying projects held by the investee.

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 capital structure of the Group consists of debts, which includes the promissory notes, amount due to a minority shareholder of a subsidiary and convertible bonds disclosed in notes 24, 27 and 28 respectively, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The Group's management reviews the capital structure on a semi-annual basis. As a part of this review, the management considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the management, 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.

The Group's overall strategy remains unchanged from 2006.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2007 **HK$'000**	2006 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**348,020**	372,831
Available-for-sale financial assets	**137,520**	149,120
Financial liabilities		
At amortised cost	**87,632**	171,542

(b) Financial risk management objectives and policies

The management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

Market risk

Foreign currency risk management

The Group's functional and presentation currency has been in Hong Kong dollars since the operations are in Hong Kong dollars and the operating expenses incurred are denominated in Hong Kong dollars. Accordingly, the management considers the Group does not expose to any foreign exchange risk.

Interest rate risk management

The Group is not exposed to interest rate risk on financial liabilities as loans to an investee, the promissory notes, amount due to a minority interest of a subsidiary and convertible bonds are all non-interest bearing.

The Group cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated bank balances and pledged deposits. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

40. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (continued)

Price risk management

The available-for-sale investments are exposed to price risk. The unquoted available-for-sale investments are for the Group's long term investment in hotel and investment property businesses in Macau. The performance of the investee is assessed at least semi-annually against the financial performance of similar listed entities, based on the limited information available to the Group.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 management annually.

The Group has concentration of credit risk as 23% (2006: 22%) and 43% (2006: 42%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and logistics services segment. 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. In addition, the Group reviews the recoverable amount each individual trade debt at each balance sheet date 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.

In addition, the Group is exposed to the credit risk on the loans to an investee as mentioned in note 18. However, the directors of the Company considered that as the investee has good financial position and has repaid more than half of the outstanding balance during the year, the default risk of the investee is not significant to the Group.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

40. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk management

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.

THE GROUP

	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	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2007							
Non-interest bearing	–	10,079	5,000	32,998	59,400	107,477	87,401
Finance lease obligation-fixed rate	2.5	76	77	89	–	242	231
		10,155	5,077	33,087	59,400	107,719	87,632

	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	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2006							
Non-interest bearing	–	7,750	5,000	64,998	144,400	222,148	171,176
Finance lease obligation-fixed rate	2.5	76	77	153	89	395	366
		7,826	5,077	65,151	144,489	222,543	171,542

(c) Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

41. PRINCIPAL SUBSIDIARIES

(i) Particulars of the principal subsidiaries at 31st December, 2007 and 31st December, 2006 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued capital held by the Company Directly	Indirectly	Principal activities
Best Shining Limited	Hong Kong	HK$1 Ordinary share	–	100%	Property investment
Brilliant Cold Storage Management Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Provision of cold storage services and manufacturing and trading of ice
Brilliant Gold International Limited	British Virgin Islands	US$1,000 Ordinary shares	–	75%	Investment holding
Brilliant Top In Logistics Limited	Hong Kong	HK$2 Ordinary shares	–	100%	Provision of logistics services
Daido (BVI) Limited	British Virgin Islands	US$2 Ordinary shares	100%	–	Investment holding
Diamond Sparkling Limited	Hong Kong	HK$10 Ordinary shares	–	100%	Sub-leasing of investment properties
Grand Decade Enterprises Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding
Jumbonet International Profits Limited	British Virgin Islands	US$100 Ordinary shares	–	100%	Investment holding
Newton Luck Limited	British Virgin Islands	US$1 Ordinary share	–	100%	Investment holding

None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year.

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

41. PRINCIPAL SUBSIDIARIES (CONTINUED)

(ii) Distributable reserves

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2007 **HK$'000**	2006 HK$'000
Contributed surplus (Note)	**84,239**	84,239
Retained profits	**5,946**	3,162
	90,185	87,401

Note:

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.

	Year ended 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**154,444**	149,766	97,495	109,247	152,112
(Loss) profit for the year	**(16,916)**	313	(73,450)	86,419	20,831

	As at 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**537,183**	580,772	340,284	770,931	629,294
Total liabilities	**(93,208)**	(176,943)	(25,578)	(382,775)	(427,557)
	443,975	403,829	314,706	388,156	201,737
Attributable to:					
Equity holders of the Company	**443,973**	403,827	314,706	388,156	201,737
Minority interests	**2**	2	–	–	–
	443,975	403,829	314,706	388,156	201,737

No restatement of consolidated financial statements for 2003 was made for the adoption of new Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1st January, 2005 as the directors of the Company considered it is not practical to do so.

Name/location	Lease expiry	Use	Approximate gross floor area sq. ft.	Group's attributable interest %	Lease term
Units 80, 81, 93, Coffee Shop and Unit 80A on the Basement Floor, Hunghom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon	2047	Vacant	9,056	100	Medium-term leases

NOTICE IS HEREBY GIVEN that the 2008 Annual General Meeting of Daido Group Limited (the ''Company'') will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 26th May, 2008 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the directors' report and the independent auditor's report for the year ended 31st December, 2007.

2. To re-elect directors and to authorize the board of directors to fix their remuneration.

3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

As special business, to consider, and if thought fit, pass with or without modification, the following resolutions as Ordinary Resolutions:

4. ''**THAT:**

(a) subject to paragraph 4(b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares on The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'') or on any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company to be purchased by the Company pursuant to the approval in paragraph 4(a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly; and

(c) for the purpose of this Resolution, ''Relevant Period'' means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.''

5. ''**THAT:**

(a) subject to paragraph 5(c) below, a general mandate be and is hereby unconditionally given to the directors of the Company to exercise all the powers of the Company during the Relevant Period (as hereinafter defined) to allot, issue and deal with additional shares in the capital of the Company (including making and granting offers, agreements and options which would or might require the exercise of such powers, whether during the continuance of the Relevant Period or thereafter);

(b) the approval in paragraph 5(a) above shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of the share capital of the Company allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the approval in paragraph 5(a) above during the Relevant Period, otherwise than pursuant to the following, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the said approval shall be limited accordingly:

(i) a rights issue where shares are offered for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard, as appropriate, to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or stock exchange in, any territory applicable to the Company);

(ii) the exercise of subscription rights or conversion rights attaching to any warrants issued by the Company or any securities which are convertible into shares of the Company;

(iii) the exercise of any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company and approved by The Stock Exchange of Hong Kong Limited;

(iv) any scrip dividend or any similar arrangement implemented in accordance with the Bye-Laws of the Company; and

(d) for the purpose of this Resolution, ''Relevant Period'' means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-Laws of the Company or any applicable law to be held; or

(iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.''

6. "**THAT** conditionally upon Resolutions Numbers 4 and 5 being passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares in the capital of the Company pursuant to Resolution Number 5 be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution Number 4, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of Resolution Number 4."

By Order of the Board
Choy Kai Sing
Company Secretary

Hong Kong, 30th April, 2008

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the Bye-Laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, at the offices of the Company's branch share registrar in Hong Kong, Union Registrars Limited at Room 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above Meeting or any adjournment thereof, should he/she so wishes.

3. In the case of joint holders of shares, any one of such holders may vote at the Meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

4. As at the date hereof, the board of directors of the Company comprises executive directors, namely, Mr. Fung Wa Ko and Mr. Tang Tsz Man, Philip and independent non-executive directors, namely, Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming.