DAIDO

Stock Code 股份代號：00544

DAIDO Group Limited

大同集團有限公司

AR08 年報

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CORPORATE INFORMATION

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

REGISTERED OFFICE

Clarendon House
2 Church Street
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

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
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
Rooms 1901–02
Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Group's financial results for the financial year ended 31st December, 2008.

2008 saw continued steady growth in our main business as the still relatively robust growth in China's economy provided a buffer to industries in Hong Kong against the negative impact of the worldwide economic downturn after a once-in-a-century financial tsunami in the second half of the year. According to the Statistical Communiqué of the People's Republic of China on the 2008, China's gross domestic product (GDP) rose to RMB 30,067 billion, a still healthy increase of 9.0 percent over the previous year.

The group's cold storage and logistics segment, which continued to be the major contributor of our business, sustained its growing momentum, despite a significant slowdown in economic activities during the second half of the year, thanks to the strategic location of our facilities in the Kwai Chung port area and the strong business relationship we have been maintaining with our clients.

The cold storage business also benefited in the second half of the year, and will continue to benefit increasingly, from the successful conversion of some of our existing non-freezer compartments to freezer-storage facilities, which generate higher revenue and enjoy wider profit margins than otherwise. Likewise, the ice manufacturing and trading operation continued to contribute steadily to the Group's total revenue during the year.

Banking on our well-established foundation and reputation in the industry, I am optimistic that these operations will continue to grow steadily in the years to come after the global economy, particularly the Hong Kong economy, gradually recovers from the current downturn following coordinated bailout moves by governments around the world.

Meanwhile, we are confident that our hotel investment in Macau will ultimately create value for shareholders in the long run despite the current economic headwinds, as tourism in this region gradually rejuvenates with an ultimate recover in the global economy and likely closer connection between Macau and Mainland China.

To conclude, I wish to thank all our clients and shareholders for your support in the past, and hope to have your continuous support in the years to come. I would also like to express my gratitude to our entire staff for its industry and dedication.

FUNG WA KO
Chairman

Hong Kong, 14th April, 2009

OVERALL RESULTS

For the financial year ended 31st December, 2008, total turnover of the Group amounted to approximately HK$169 million, up 9.7% when compared to the previous financial year of approximately HK$154 million. Loss attributable to equity holders of the Group was approximately HK$110 million, against a loss of approximately HK$17 million in the previous year. The loss was mainly attributable to the impairment loss on the available-for-sales investments of approximately HK$49 million and fair value adjustment on loans to an investee of approximately HK$61 million. Loss per share was HK2.63 cent, against loss per share of HK0.45 cent in 2007.

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

BUSINESS REVIEW

Cold Storage and Logistics Services

In the financial year 2008, the Cold Storage and Logistics Services segment reported a healthy annual growth of 9.5% in turnover to HK$166 million, accounting for 98% of the Group's total revenue.

The segment profit however decreased by 42% mainly due to the increase in rent paid to the landlords of the two cold storage warehouses commencing from mid February 2008. Thanks to a satisfactory occupancy rate for its freezer storages, the cold storage business was able to withstand the negative impact of the economic downturn.

The Group's logistics business in Hong Kong and Mainland China ran smoothly during 2008 despite the onslaught of the global financial tsunami. The Group will continue to strive hard to materialize its aim to gain a larger market share in the logistics sector in Hong Kong.

The Group offered other value-added services rather than resort to price cuts to retain existing clients and to win new clients amidst fierce competition in the sector, which has been aggravated by the current downturn in Hong Kong's economy and a slowdown in the mainland economy. The management also reinforced its sales and marketing activities as another effort to expand the Group's client base.

The Group has ceased its repacking service business in the mainland beginning 2009 as the operation involves long payment terms and high default risk associated with accounts receivables.

Manufacturing and Trading of Ice

The Ice Manufacturing and Trading business continued to contribute steadily to the Group's revenue during the reporting period. The segment accounted for approximately 2% of the total revenue of the Group both in 2007 and 2008.

The Group produces ice bars and ice cubes for construction and consumption purposes respectively on a small-scale and cost-efficient basis.

BUSINESS REVIEW (continued)

Property and Hotel Investment

The Group currently owns an effective interest of 6% in the hotel resort complex in Macau and an effective interest of 12% in the operation of the hotel and spa business of the hotel resort complex.

During the period under review, the hotel and resorts business in Macau in general faced some headwinds as the global economic downturn and the tightening of travel restrictions by the central government on mainland visitors caused a slump in Macau's tourism.

Statistic data from the Statistics and Census Services of Macau showed that visitor arrivals in 2008 totaled 22,907,724, a decrease of 15% year-on-year, against a 23% rise in 2007. Visitors from Mainland China stood at 11,595,130, a decline of 22% over 2007, against a rise of 24% in 2007.

An oversupply of hotels and resorts in Macau, partly due to casino operators scrambling to open more casinos and casino resorts in hopes for gaining larger market shares, also added to the woes.

As a result, the operating results of the hotel and spa operation remained in the red during the period under review.

The Group recognized an impairment loss of approximately HK$49 million for its hotel investment in the consolidated income statement for the financial year 2008 due to the above-mentioned factors and a slump in Macau's economy following the onslaught of the global financial tsunami. The Group also re-assessed the future repayment schedule of the outstanding loan to the hotel investment project and adjusted the fair value of such loan to approximately HK$54 million by recognized in the consolidated income statement fair value adjustment of approximately HK$61 million.

PLEDGE OF ASSETS

As at 31st December, 2008, 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, 2008, bank deposits of approximately HK$65 million (31st December, 2007: 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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2008, the Group had cash and bank balances of approximately HK$109 million (31st December, 2007: approximately HK$134 million). The decrease was mainly due to purchase of property, plant and equipment of HK$13 million, increase in pledged bank deposits of HK$8 million and repayment of promissory notes of HK$5 million. The gearing ratio, measured as non-current borrowings over shareholder's equity was 21% as at 31st December, 2008 (31st December, 2007: 17%).

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 total issued share capital of the Group was HK$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2007.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2008, the Group employed a total of 266 employees in Hong Kong (31st December, 2007: 268). 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

Looking ahead, the Group sees challenges for its businesses in the short term as the negative impacts of the global financial tsunami that hit the world in the second half of 2008 continue to feed through the real economy, triggering a global economic downturn that is pushing up unemployment rates and weakening consumer confidence globally and locally.

However, the management remains confident that the Group's operations will continue to grow steadily and thrive in the medium to long term as economies gradually recover and rejuvenate after the positive effects of bailout packages implemented by governments around the world.

Cold Storage and Logistics Services

Demand for cold storage is normally affected by consumers' demand for frozen and fresh food, as well as price expectation. Food importers and suppliers may cut back their imports in the short term as the economic downturn weighs on consumer sentiment while food prices are unlikely to surge again in the near future as they did in 2007 and early 2008.

Easing expectation for food-price hikes will weaken food importers' appetite to stock up inventory to take advantage of potential price hikes. Lower food inventory may, in turn, affect the Group's revenue from the cold storage business. Latest statistics data from the Census and Statistics Department of Hong Kong indicated that the underlying inflation rate continued to ease in recent months from 4.6% in December 2008 to 4.5% in January 2009 and is expected to come down over the course of 2009 as the impact of the global synchronized downturn continues to play out and weigh on local economic activity.

However, the ever-increasing population of Hong Kong will ensure steady growth in local food consumption in the medium to long term, and therefore, bode well for the Group's cold storage and logistics business, more than offsetting the short-term effect of easing inflation pressure.

In view of the strong demand for freezer storage and the wider profit margins it enjoys, the Group has completed the conversion of some of its non-freezer compartments to freezer compartments in early 2009.

Meanwhile, the logistics operation shall also benefit from declining energy prices. International crude oil prices have plunged from a peak of around 140 US dollars per barrel in early 2008 to about 40 US dollars per barrel currently. The management will continue to streamline its logistic business operation to save costs and provide more efficient services to clients.

Manufacturing and Trading of Ice

Stable revenue growth is expected for the Ice Manufacturing and Trading segment in the coming years as the Hong Kong government starts to implement various infrastructure projects from 2009 in its moves to revitalize the local economy and to fight rising unemployment, boosting the demand for industrial ice.

Some of the big projects that are likely to kick start soon include the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the South Island Line and the Sha Tin-Central Link of MTR Corporation, the Kai Tak Development project, the Tuen Mun Western Bypass and Tuen Mun-Chek Lap Kok Link. Another mega project in the pipeline is the Hong Kong-Zhuhai-Macau Bridge, the construction work of which is scheduled to commence by 2010 and completed by 2016.

PROSPECTS (continued)

Hotel Investment

The Group considers its hotel investment in Macau as a long-term investment. In recent period, the equity interest of the investment holding company holding the investment property and a hotel resort complex operation in Macau is in the process of restructuring. Upon the completion of such restructuring, our effective interest in the hotel resort complex in Macau will remain unchanged at 6% and our effective interest in the hotel resort complex operation will be diluted from 12% to 6%.

On the other hand, the tourism industry in Macau shall be able to shake off the headwinds it current faces as the global economy will ultimately recover as it always did in past cycles, particularly after coordinated bailout efforts by governments around the world and by the Macau government in particular.

The Macau government's moves to tighten regulations on the construction of new casinos will likely restrain the casino construction boom, hopefully helping ease the glut in casinos and hotel rooms in the Special Administrative Region.

Meanwhile, travel restrictions implemented by the central government on mainland visitors could be eased as Beijing mulls more support measures for Macau and Hong Kong to help the two Special Administrative Regions resist the economic downturn.

With the medium to long term prospect of Macau's tourism industry remaining bright, the Group is of the opinion that its hotel investment will create value to shareholders in the long run.

The management will unremittingly take different measures to strengthen its main operations, and explore any and all potential business opportunities to maximize shareholders' value.

DIRECTORS OF THE COMPANY

MR. FUNG WA KO, aged 47, 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 43, 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 53, 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, a company listed on the Stock Exchange.

MR. LEUNG, TSZ FUNG DAVID FERREIRA, aged 41, 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.

MR. TSE YUEN MING, aged 41, joined the Group as an independent non-executive director in August 2003. He is a partner of Messrs. Tung, Ng, Tse & Heung. 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 and trading business in Hong Kong.

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 37(i) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 25.

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 27.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 12 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 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidate financial statements.

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, 2008 comprised contributed surplus of HK$84,239,000 (2007: HK$84,239,000) and retained profits of HK$1,406,000 (2007: HK$5,946,000).

Details of the Company's distributable reserves are set out in note 37(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. Tang Tsz Man, Philip and Leung Chi Hung 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, 2008, 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 25 to the consolidated financial statements.

No share option was outstanding as at 1st January, 2008 and 31st December, 2008 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, 2008, 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, Bingo Chance 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 bond 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.

Save as disclosed above, as at 31st December, 2008, 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, 2008, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 45% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 20% of the Group's total turnover.

For the year ended 31st December, 2008, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 55% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 26% 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 14 to 23.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

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, 14th April, 2009

The board of directors (the "Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. 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.

Besides, the Company has applied and complied the principles of the code provision and certain recommended best practices under the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31st December, 2008, 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 current Board members for the year ended 31 December, 2008 were:

Executive Directors

Mr. Fung Wa Ko *(Chairman and Chief Executive Officer)*
Mr. Tang Tsz Man, Philip

Independent Non-executive Directors

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

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

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.

Independent Non-executive Directors

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)

Independent Non-executive Directors (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.

The Company has received from each of its independent non-executive Directors the written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmation, considers Mr. Leung Chi Hung, Mr. Leung, Tsz Fung David Ferreira and Mr. Tse Yuen Ming to be independent.

Role and Functions of the Board

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

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

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

Board Meetings and Board Practices

The Board meets four times regularly a year to review the financial and operating performance of the Group. Details of the Directors' attendance are as follows:

	Attendance in regular meetings
Executive Directors	
Mr. Fung Wa Ko *(Chairman and Chief Executive Officer)*	4/4
Mr. Tang Tsz Man, Philip	3/4
Independent Non-executive Directors	
Mr. Leung Chi Hung	4/4
Mr. Leung, Tsz Fung David Ferreira	4/4
Mr. Tse Yuen Ming	2/4

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 meetings and all the Directors can include matter for discussion in the agenda whenever they consider appropriate and necessary. The Directors will receive details of agenda items for decision at least 3 days before the meeting and minutes of the meeting will be received by those Directors within reasonable time after the meeting.

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

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

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board, a board meeting will be held to deal with such matter and the independent non-executive director with no material interest in the matter will attend the meeting to dealt with the matter if it is considered appropriate. Other than the exception allowed under the Listing Rules, any Director who or whose associates have any material interest in any proposed Board resolutions will not be counted as a quorum in the relevant board meeting or no vote for the board resolutions.

Continuing Professional Development

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

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

Directors' and Officers' Liabilities

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 so appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation once every three years, so as to comply with code provision A.4.2.

BOARD OF DIRECTORS (continued)

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 and 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. Tang Tsz Man, Philip and Mr. Leung Chi Hung 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 16th April, 2008. Significant matters discussed by the Committee are summarized as follows:–

- Review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and independence of the non-executive directors and makes recommendation to the Board accordingly.

COMMITTEES OF THE BOARD (continued)

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.

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 schemes 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, 2008 are set out in note 9(a) to the consolidated financial statements and details of the Share Option Schemes are set out in the Directors' Report and note 25 to the consolidated financial statements.

The Remuneration Committee meets at least once during the year. The Remuneration Committee meeting was held on 16th April, 2008. Significant matters discussed by the Committee are summarized as follows:–

- Review and approve the current remuneration policy of the Group; and

- Review the remuneration package of the board members and senior management of the Group and make recommendation to the Board.

COMMITTEES OF THE BOARD (continued)

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 was amended on 1st January, 2009 and was ratified by the Board on 12th February, 2009 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.

For the year ended 31st December, 2008, the Audit Committee met six times during the year and had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2007 and the unaudited financial statements for the six months ended 30th June, 2008;

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

3. reviewed the auditing and financial reporting matters;

4. reviewed the re-appointment of external auditors;

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 auditors of the Company at the forthcoming annual general meeting of the Company.

At the meeting held on 8th April, 2009, the Audit Committee reviewed the internal control report, the Directors' report and financial statements for the year ended 31st December, 2008 together with the annual results announcement, with a recommendation to the Board for approval.

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

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

	Number of meetings attended/ Number of meeting held		
	Nomination Committee	Remuneration Committee	Audit Committee
Independent Non-executive Directors			
Mr. Leung Chi Hung	1/1	1/1	6/6
Mr. Leung, Tsz Fung David Ferreira	1/1	1/1	6/6
Mr. Tse Yuen Ming	1/1	1/1	4/6

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Audit Committee and the Board have reviewed the Company's financial statements for the year ended 31st December, 2008. The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statement of the external auditors of the Company, Deloitte Touche Tohmatsu, about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 24.

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 written securities dealing policy which contains a set of code of conduct regarding securities transactions by directors, the terms of which are on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy"). The Company has revised the Security Dealing Policy in order to comply with the amendment of the Model Code with effect from 1st January, 2009 (including further minor amendment with effect from 1st April, 2009), the revised Security Dealing Policy was amended accordingly and was ratified by the Board on 12th February, 2009 and 8th April, 2009 respectively.

Having made specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Securities Dealing Policy during the year under review.

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

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2008 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statement for the year ended 31st December, 2008 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 auditors confirming their independence and objectivity and holds meetings with Deloitte Touche Tohmatsu to discuss the scope of their audit.

For the year ended 31st December, 2008, the external auditors of the Group provided the following services to the Group:

	2008 **HK$'000**	2007 HK$'000
Audit services	**630**	630
Review on interim results	**180**	180
Total:	**810**	810

There was no significant non-audit services assignment undertaken by the auditors during the year.

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 has been putting a lot of effort on improvement of its internal control and risk management, an Internal Control Action Plan has been developed for facilitating 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 and was completed in 2006.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

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.

Stage two was started in 2007, 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.

During the year ended 31st December, 2008, the Company has carried out the review of petty cash handling, ice production and selling, and administration process of other departments, such as manufacturing and trading of ice department, accounting department, cargo department, human resources and administrative department, and information technology department.

To examine the control effectiveness of ice production and selling, the Company has reviewed the operations and also focused on the accuracy measurement of such operations. The main issue is to maintain proper and accurate accounting records for the provision of financial information for internal analysis on minimizing operational costs and maximizing efficiency.

In addition, the Company has implemented detail test in those major departments to examine the control effectiveness during the year, which included a review on the efficiency of the operation, safeguard of the Group's assets and efficiency of utilization of the resources in the Group.

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

As an integral part of good corporate governance, the internal control system will be monitored 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. The chairman of Audit and Nomination committees had attended the annual general meeting held on 26th May, 2008 to answer question at the annual general meeting. As the chairman of Remuneration Committee, Mr. Leung, Tsz Fung David Ferreira was not available to attend at the annual general meeting, he had delegated the Chairman of the Board to answer the question at the annual general meeting on his 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 a website (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 25 to 63, which comprise the consolidated balance sheet as at 31st December, 2008, 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, 2008 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, 14th April, 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	4	**169,292**	154,444
Direct costs		**(149,670)**	(132,392)
Gross profit		**19,622**	22,052
Other income	5	**15,802**	17,545
Selling and distribution expenses		**(3,629)**	(3,597)
Administrative expenses		**(20,534)**	(22,413)
Impairment loss on goodwill	14	**(3,200)**	(3,200)
Impairment loss on available-for-sale investments	16	**(48,600)**	(11,600)
Change in fair value of investment properties	12	**(2,500)**	1,000
Fair value adjustment on loans to an investee	17	**(61,058)**	(7,521)
Finance costs	6	**(6,061)**	(9,109)
Loss before tax		**(110,158)**	(16,843)
Tax credit (charge)	7	**332**	(73)
Loss for the year	8	**(109,826)**	(16,916)
Dividend	10	**–**	–
Loss per share – basic	11	**HK(2.63) cent**	HK(0.45) cent

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment properties	12	**15,500**	18,000
Property, plant and equipment	13	**25,706**	19,682
Goodwill	14	**8,513**	11,713
Interest in an associate	15	**–**	–
Available-for-sale investments	16	**88,920**	137,520
Loans to an investee	17	**53,866**	106,150
Prepayment for acquisition of property, plant and equipment		**1,428**	–
Rental deposits paid		**16,352**	14,218
Pledged bank deposits	20 & 29	**68,906**	60,375
		279,191	367,658
CURRENT ASSETS			
Inventories		**53**	93
Trade and other receivables	19	**34,974**	34,815
Tax recoverable		**217**	607
Bank balances and cash	20	**109,008**	134,010
		144,252	169,525
CURRENT LIABILITIES			
Trade and other payables	21	**13,120**	14,686
Obligations under a finance lease	22	**88**	143
Promissory notes	23	**4,762**	4,762
		17,970	19,591
NET CURRENT ASSETS		**126,282**	149,934
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,473**	517,592
CAPITAL AND RESERVES			
Share capital	24	**41,680**	41,680
Reserves		**292,467**	402,293
Equity attributable to equity holders of the Company		**334,147**	443,973
Minority interest		**2**	2
		334,149	443,975
NON-CURRENT LIABILITIES			
Obligations under a finance lease	22	**–**	88
Amount due to a minority shareholder of a subsidiary	26	**25,805**	26,536
Convertible bonds	27	**19,631**	18,097
Promissory notes	23	**25,252**	27,928
Deferred tax liabilities	28	**636**	968
		71,324	73,617
		405,473	517,592

The consolidated financial statements on pages 25 to 63 were approved and authorised for issue by the Board of Directors on 14th April, 2009 and are signed on its behalf by:

FUNG WA KO
Chairman

TANG TSZ MAN, PHILIP
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Attributable to equity holders of the Company						
	Share capital HK$'000	Share premium HK$'000	Retained profits HK$'000	Convertible bond equity reserve HK$'000	Total HK$'000	Minority interest HK$'000	Total equity HK$'000
At 1st January, 2007	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
Loss for the year representing total recognised expense for the year	–	–	(109,826)	–	(109,826)	–	(109,826)
At 31st December, 2008	41,680	126,043	158,277	8,147	334,147	2	334,149

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(110,158)**	(16,843)
Adjustments for:		
Allowance for trade receivables	**493**	118
Depreciation	**6,753**	6,550
Finance costs	**6,061**	9,109
(Gain) Loss on disposal of property, plant and equipment	**(134)**	91
Impairment loss on goodwill	**3,200**	3,200
Impairment loss on available-for-sale investments	**48,600**	11,600
Interest income	**(12,345)**	(15,984)
Change in fair value of investment properties	**2,500**	(1,000)
Fair value adjustment on loans and advances	**58,134**	6,581
Operating cash flows before movements in working capital	**3,104**	3,422
Decrease (increase) in inventories	**40**	(93)
Increase in trade and other receivables	**(652)**	(2,939)
(Decrease) increase in trade and other payables	**(1,566)**	2,808
Increase in rental deposits paid	**(2,134)**	–
Net cash (used in) generated from operations	**(1,208)**	3,198
Hong Kong Profits Tax refunded	**390**	170
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(818)**	3,368
INVESTING ACTIVITIES		
Interest received	**3,571**	6,792
Purchase of property, plant and equipment	**(12,796)**	(4,646)
Prepayment for acquisition of property, plant and equipment	**(1,428)**	–
Proceeds from disposal of property, plant and equipment	**153**	185
Repayment from an investee	**–**	128,000
Increase in pledged bank deposits	**(8,531)**	(3,500)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(19,031)**	126,831
FINANCING ACTIVITIES		
Repayment of promissory notes	**(5,000)**	(5,000)
Interest paid	**(10)**	(18)
Repayment of amount due to a minority shareholder of a subsidiary	**–**	(32,000)
Repayment of obligations under a finance lease	**(143)**	(135)
Cash settlement of conversion of convertible bonds resulted in odd shares	**–**	(192)
CASH USED IN FINANCING ACTIVITIES	**(5,153)**	(37,345)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(25,002)**	92,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**134,010**	41,156
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**109,008**	134,010

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, the following amendments and new interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvement to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

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

[1] Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st July, 2009
[4] Effective for annual periods ending on or after 30th June, 2009
[5] Effective for annual periods ending on or after 1st July, 2008
[6] Effective for annual periods beginning on or after 1st October, 2008
[7] Effective for transfers on or after 1st July, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the above new or revised standards, amendments and interpretations will not have 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on an acquisition of a business 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

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

Loans and receivables

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, held-for-maturity investments, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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 carried at cost will not be reversed in profit or loss in subsequent periods.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible bond (continued)

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, liability component of the 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.

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 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 is as follows:

	2008 **HK$'000**	2007 HK$'000
Cold storage services	**124,250**	106,721
Logistics services	**41,323**	44,454
Manufacturing and trading of ice	**3,719**	3,269
	169,292	154,444

4. REVENUE AND SEGMENT INFORMATION (continued)

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.

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

2008

	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Consolidated HK$'000
REVENUE	165,573	3,719	–	169,292
SEGMENT RESULT	3,760	(2,331)	(3,037)	(1,608)
Unallocated income				15,269
Unallocated expenses				(8,100)
Impairment loss on available-for-sale investments				(48,600)
Fair value adjustment on loans to an investee				(61,058)
Finance costs				(6,061)
Loss before tax				(110,158)
Tax credit				332
Loss for the year				(109,826)

BALANCE SHEET

	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	84,005	1,198	15,611	100,814
Unallocated corporate assets				322,629
Consolidated total assets				423,443
LIABILITIES				
Segment liabilities	12,245	–	12	12,257
Unallocated corporate liabilities				77,037
Consolidated total liabilities				89,294

4. REVENUE AND SEGMENT INFORMATION (continued)

Business segments (continued)

OTHER INFORMATION

	Cold storage and logistics services HK$'000	Manu-facturing and trading of ice HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowance for trade receivables	493	–	–	–	493
Impairment loss on goodwill	3,200	–	–	–	3,200
Impairment loss on available-for-sale investments	–	–	–	48,600	48,600
Capital expenditure	14,103	107	–	14	14,224
Depreciation	6,146	396	–	211	6,753
Change in fair value of investment properties	–	–	2,500	–	2,500
Fair value adjustment on loans to an investee	–	–	–	61,058	61,058

2007

	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Consolidated HK$'000
REVENUE	151,175	3,269	–	154,444
SEGMENT RESULT	6,478	(2,648)	476	4,306
Unallocated income				16,924
Unallocated expenses				(9,843)
Impairment loss on available-for-sale investments				(11,600)
Fair value adjustment on loans to an investee				(7,521)
Finance costs				(9,109)
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

	Cold storage and logistics services HK$'000	Manufacturing and trading of ice HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	77,479	1,426	18,111	97,016
Unallocated corporate assets				440,167
Consolidated total assets				537,183
LIABILITIES				
Segment liabilities	12,708	–	12	12,720
Unallocated corporate liabilities				80,488
Consolidated total liabilities				93,208

OTHER INFORMATION

	Cold storage and logistics services HK$'000	Manu-facturing and trading of ice HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Allowance for trade receivables	118	–	–	–	118
Impairment loss on goodwill	3,200	–	–	–	3,200
Impairment loss on available-for-sale investments	–	–	–	11,600	11,600
Capital expenditure	4,506	7	–	133	4,646
Depreciation	5,879	428	–	243	6,550
Fair value adjustment on loans to an investee	–	–	–	7,521	7,521

Geographical segments

The activities of the Group are mainly based in Hong Kong and over 90% of the Group's revenue are derived from customers located in Hong Kong.

Over 90% of 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

	2008 HK$'000	2007 HK$'000
Bank interest income	**3,571**	6,792
Imputed interest income from loans to an investee	**8,774**	9,192
Gain on disposal of property, plant and equipment	**134**	–
Fair value adjustment on amount due to a minority shareholder of a subsidiary	**2,924**	940
Sundry income	**399**	621
	15,802	17,545

6. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on obligations under a finance lease	**10**	18
Imputed interest expense on amount due to a minority shareholder of a subsidiary	**2,193**	2,612
Imputed interest expense on convertible bonds	**1,534**	3,971
Imputed interest expense on promissory notes	**2,324**	2,508
	6,061	9,109

7. TAX (CREDIT) CHARGE

	2008 HK$'000	2007 HK$'000
The tax (credit) charge comprises:		
Hong Kong Profits Tax	**–**	378
Deferred tax *(note 28)*		
Current year	**(277)**	(305)
Attributable to change in tax rate	**(55)**	–
Tax (credit) charge	**(332)**	73

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

7. TAX (CREDIT) CHARGE (continued)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which included the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year.

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

	2008 HK$'000	2007 HK$'000
Loss before tax	**(110,158)**	(16,843)
Tax at the Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**(18,176)**	(2,948)
Tax effect of expenses not deductible for tax purpose	**19,671**	5,783
Tax effect of income not taxable for tax purpose	**(2,520)**	(2,797)
Tax effect of tax losses not recognised	**719**	283
Tax effect of change in tax rate	**(55)**	–
Tax effect on temporary differences not recognised	**29**	–
Tax effect of utilisation of tax loss not previously recognised	**–**	(299)
Others	**–**	51
Tax (credit) charge for the year	**(332)**	73

8. LOSS FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Loss for the year has been arrived at after charging:		
Allowance for trade receivables	**493**	118
Auditor's remuneration	**630**	630
Cost of inventories sold	**40**	62
Depreciation for property, plant and equipment		
Owned assets	**6,645**	6,442
Assets held under finance leases	**108**	108
Loss on disposal of property, plant and equipment	**–**	91
Minimum lease payments for operating leases in respect of rented premises	**65,189**	57,335
Direct expense from investment properties not generating rental income	**567**	517
Total staff costs (including directors' emoluments)	**36,414**	39,024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming, Valent HK$'000	Leung Tsz Fung David Ferreira HK$'000	2008 HK$'000
Fees	**120**	**–**	**90**	**90**	**80**	**380**
Other emoluments						
Salaries and other benefits	**1,103**	**120**	**–**	**–**	**–**	**1,223**
Contributions to retirement benefits scheme	**42**	**2**	**–**	**–**	**–**	**44**
Total emoluments	**1,265**	**122**	**90**	**90**	**80**	**1,647**

	Fung Wa Ko HK$'000	Tang Tsz Man, Philip HK$'000	Leung Chi Hung HK$'000	Tse Yuen Ming, Valent HK$'000	Leung Tsz Fung David Ferreira HK$'000	2007 HK$'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

No directors waived any emoluments in the year ended 31st December, 2008 and 31st December, 2007.

(b) Employees' emoluments

The five highest paid individuals included one (2007: one) director, details of whose emoluments are set out above. The emoluments of the remaining four (2007: four) individuals, are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**2,063**	2,158
Contribution to retirement benefits scheme	**89**	76
	2,152	2,234

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments (continued)

Their emoluments were within the following band:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**4**	4

10. DIVIDEND

No interim dividend is paid during the year (2007: nil).

The directors do not recommend the payment of a dividend for the year (2007: nil).

11. LOSS PER SHARE

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

	2008 HK$'000	2007 HK$'000
Loss for the purpose of basic loss per share	**(109,826)**	(16,916)

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,168,000**	3,790,071

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

12. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2007	17,000
Increase in fair value recognised in profit or loss	1,000
At 31st December, 2007	18,000
Decrease in fair value recognised in profit or loss	(2,500)
At 31st December, 2008	**15,500**

The fair value of the Group's investment properties at 31st December, 2008 and 31st December, 2007 have been arrived at on the basis of valuations carried out by Asset Appraisal Limited, who are independent firms of professional property valuers not connected with the Group. The directors of Asset 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 in similar location and conditions.

The investment properties of the Group are situated in Hong Kong and held under medium-term leases. The investment properties as at 31st December, 2008 and 31st December, 2007 are vacant.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Plant and machinery and equipment HK$'000	Total HK$'000
COST					
At 1st January, 2007	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
Additions	6,256	15	65	6,460	12,796
Disposals	(12)	–	(375)	(33)	(420)
At 31st December, 2008	**18,184**	**1,484**	**6,091**	**16,950**	**42,709**
DEPRECIATION					
At 1st January, 2007	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
Provided for the year	1,808	393	1,553	2,999	6,753
Eliminated on disposals	(12)	–	(356)	(33)	(401)
At 31st December, 2008	**4,907**	**1,059**	**3,419**	**7,618**	**17,003**
CARRYING VALUES					
At 31st December, 2008	**13,277**	**425**	**2,672**	**9,332**	**25,706**
At 31st December, 2007	8,829	803	4,179	5,871	19,682

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 and 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$197,000 (2007: HK$305,000) in respect of asset held under a finance lease.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	14,913
IMPAIRMENT	
At 1st January, 2007	–
Impairment loss recognised	3,200
At 31st December, 2007	3,200
Impairment loss recognised	3,200
At 31st December, 2008	**6,400**
CARRYING VALUES	
At 31st December, 2008	**8,513**
At 31st December, 2007	11,713

During the year, the Group has recognised an impairment loss on goodwill amounting to HK$3,200,000 (2007: HK$3,200,000) in the consolidated income statement. Goodwill arising from acquisition of subsidiaries in 2006 was allocated to one cash generating unit (CGU), which comprises two wholly-owned subsidiaries of the Company engaging in the cold storage services and logistics services.

Due to the effects caused by the continuous decrease in the demand of cold storage services 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 on goodwill.

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 5-year period (2007: 5-year period), and discount rate of 15% (2007: 12%) per annum. 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.

15. INTEREST IN AN ASSOCIATE

	2008 **HK$'000**	2007 HK$'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)
	–	–

15. INTEREST IN AN ASSOCIATE (continued)

As at 31st December, 2008, the Group had 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 had been accounted for as an associate as, in the opinion of the directors, the Group was 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:

	2008 HK$'000	2007 HK$'000
Total assets	**1,742**	2,106
Total liabilities	**2,146**	2,176
Net liabilities	**(404)**	(70)
Group's share of associate's net assets	**–**	–
Revenue	**–**	–
Loss for the period/year	**(334)**	(108)
Group's share of associate's net loss	**–**	–

The Group has discontinued recognition of its share of loss of its associate in 2007. The amount of unrecognised share of loss, extracted from the management accounts of the associate, both for the year and cumulatively, are as follows:

	2008 HK$'000	2007 HK$'000
Unrecognised share of loss of the associate for the period/year	**(53)**	(17)
Accumulated unrecognised share of loss of the associate	**(133)**	(80)

16. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	**149,120**	149,120
Less: Impairment	**(60,200)**	(11,600)
	88,920	137,520

The Group has, through an acquisition of subsidiaries in 2006, acquired certain assets including the above available-for-sale investments which represent 40% of the issued ordinary shares of Richbo Enterprises Limited ("Richbo"), a private entity incorporated in the British Virgin Islands. 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. Accordingly, the investments are not classified as associate.

Richbo is principally engaged in investment holding and holds 44.45% (2007: 44.45%) interest in Hoover International Limited, which in turn holds 90% (2007: 90%) interest in a group that have an interest in investment properties and operates a hotel resort complex in Macau Special Administrative Region of the People's Republic of China ("Macau"). As at 31st December, 2008, the Group, through its subsidiary and Richbo held 6% (2007: 6%) effective interest in the investment properties and held 12% (2007: 12%) effective interest in a hotel resort complex operation.

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.

During the year, the Group has recognised the impairment loss on available-for-sale investments amounting to HK$48,600,000 (2007: HK$11,660,000) 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 Group's share of (i) the fair value of the investee's interest in the investment properties, that is a hotel resort complex in Macau which consists of a hotel building, casino building, leisure building and a car parking building and; (ii) the present value of the expected net future cash flows generated from the hotel and spa operations.

The fair value of the investment properties at 31st December, 2008 was determined by reference to valuations carried out by an independent firm of professional valuers not connected with the Group and was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions. Due to the keen competition for hotel and spa operations in Macau foreseen by the Group and the adverse impact arisen from the global financial crisis, the Group has also revised its cash flow projections of hotel and spa operations. The carrying amount of available-for-sale investments has therefore been reduced to its recoverable amount through the recognition of the impairment loss.

At 31st December, 2008 and 31st December, 2007, 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	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.

17. LOANS TO AN INVESTEE

The loans to Richbo 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.

During the year ended 31st December, 2007, the Group recognised interest income of HK$9,192,000 at the effective interest rate of 8.5% per annum.

During the year ended 31st December, 2007, an amount of HK$128,000,000 had been early repaid by the investee, resulting in a gain of HK$1,253,000. As at 31st December, 2007, the management re-assessed the repayment schedule of the outstanding amounts and considered the repayment of the loans would be extended for twelve months. The loans were therefore discounted to its fair value using the effective interest rate of 8.5% per annum for one year and resulted in a fair value loss of HK$8,774,000. The net fair value loss charged to the consolidated income statement for the year ended 31st December, 2007 was HK$7,521,000.

During the year ended 31st December, 2008, the Group recognised interest income of HK$8,774,000 at the effective interest rate of 8.5% per annum.

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

The fair value of the loans to an investee at 31st December, 2008 estimated by the current market interest rate of 16% per annum was HK$29,667,000. At 31st December, 2007, the carrying amount of the loans approximated to fair value.

The credit risk on loans to investee has been mentioned in note 36(b).

18. INTEREST IN JOINT CONTROLLED OPERATION

The Group had entered into a joint venture agreement in the form of a jointly controlled operation to jointly provide logistics services in 2006. The Group has a 50% interest in the joint venture.

At 31st December, 2008, the aggregate amount of assets, liabilities, income and profits recognised in the consolidated financial statements in relation to interest in jointly controlled operation are as follows:

	2008 **HK$'000**	2007 HK$'000
Assets	**164**	411
Liabilities	**(85)**	(221)
Income	**1,647**	1,256
Expenses	**(1,383)**	(957)

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK$31,359,000 (2007: HK$31,237,000) with an aged analysis by invoice dates as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	13,623	14,313
31 – 60 days	10,956	11,189
61 – 90 days	4,833	5,358
91 – 120 days	1,402	203
More than 120 days	545	174
	31,359	31,237

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$14,597,000 (2007: HK$12,137,000) 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$16,762,000 (2007: HK$19,100,000) 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 (2007: 60 days).

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

	2008 HK$'000	2007 HK$'000
1 – 30 days	5,754	7,309
31 – 60 days	4,228	6,056
61 – 90 days	4,833	5,358
91 – 120 days	1,402	203
More than 120 days	545	174
	16,762	19,100

19. TRADE AND OTHER RECEIVABLES (continued)

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

	2008 HK$'000	2007 HK$'000
At beginning of the year	**156**	59
Impairment losses recognised on receivables	**493**	118
Amounts written off during the year	**–**	(21)
At end of the year	**649**	156

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 receivable 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.

20. OTHER FINANCIAL ASSETS

Bank balances and cash comprise short term bank deposits at average prevailing market interest rates of 1.52% (2007: 2.58%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 1.69% (2007: 3.46%) per annum.

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$5,318,000 (2007: HK$5,254,000) with an aged analysis as follows:

	2008 HK$'000	2007 HK$'000
0 – 30 days	**3,288**	3,278
31 – 60 days	**1,645**	1,337
61 – 90 days	**383**	638
91 – 120 days	**2**	1
	5,318	5,254

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

22. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payment		Present value of minimum lease payment	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Within one year	**89**	153	**88**	143
In the second to fifth year inclusive	**–**	89	**–**	88
	89	242	**88**	231
Less: future finance charges	**(1)**	(11)		
Present value of lease obligations	**88**	231		
Less: Amount due for settlement within one year shown under current liabilities			**(88)**	(143)
Amount due for settlement after one year			**–**	88

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.

23. PROMISSORY NOTES

	2008	2007
	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	**9,291**	11,967
	30,014	32,690
Less: Amounts due for settlement within one year shown under current liabilities	**(4,762)**	(4,762)
Amounts due for settlement after one year	**25,252**	27,928

23. PROMISSORY NOTES (continued)

The fair value of promissory notes at 31st December, 2008 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 16% per annum was HK$22,539,000. The fair value of promissory notes at 31st December, 2007 approximated to its carrying amount.

The major terms of the promissory notes are summarised below:

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

24. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.01 each				
At 1st January, 2007	5,000,000	50,000	3,480,000	34,800
Placement of new shares	–	–	688,000	6,880
At 31st December, 2007 and 31st December, 2008	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 had 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.

25. SHARE OPTION SCHEMES

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.

26. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

During the year ended 31st December, 2007, the Group recognised interest expense of HK$2,612,000 at the effective interest rate of 8.5% per annum.

During the year ended 31st December, 2007, an amount of HK$32,000,000 had been early repaid by the Group, resulting in a loss of HK$1,253,000. As at 31st December, 2007, the Group agreed with the minority shareholder that the amount would not be repayable within twelve months from the balance sheet date. The outstanding amount was therefore discounted to its fair value using the effective interest rate of 8.5% per annum for one year, resulting in a fair value gain of HK$2,193,000. The net fair value gain credited to the consolidated income statement in 2007 was HK$940,000.

During the year ended 31st December, 2008, the Group recognised interest expense of HK$2,193,000 at the effective interest rate of 8.5% per annum.

As at 31st December, 2008, the Group further agreed with the minority shareholder that the amount would not be repayable within twelve months from the balance sheet date. The outstanding amount was therefore discounted to its fair value using the original effective interest rate of 8.5% per annum for one year, resulting in a fair value gain of HK$2,924,000 which has been credited to the consolidated income statement in 2008.

The fair value of the amount due to a minority shareholder of a subsidiary at 31st December, 2008 by using the market interest rate of 16% per annum was HK$24,136,000. As at 31st December, 2007, the carrying amount of the amount due to a minority shareholder approximated to its fair value.

27. 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% (2007: 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:

	2008 **HK$'000**	2007 HK$'000
Carrying amount at beginning of the year	**18,097**	71,380
Conversion during the year	**–**	(57,254)
Interest charge	**1,534**	3,971
Carrying amount at end of the year	**19,631**	18,097

The fair value of the liability component of the convertible bonds at 31st December, 2008, determined based on the present value of the estimated future cash outflows discounted at an effective interest rate of 16% (2007: 6.7%) per annum for an equivalent non-convertible bonds at the balance sheet date, was HK$16,369,000 (2007: HK$19,192,000).

28. DEFERRED TAX LIABILITIES

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

	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2007	103	(1,376)	(1,273)
Credit (charge) for the year	306	(1)	305
At 31st December, 2007	409	(1,377)	(968)
Credit (charge) for the year	414	(137)	277
Attributable to a change in tax rate	(23)	78	55
At 31st December, 2008	800	(1,436)	(636)

At the balance sheet date, the Group has unused tax losses of HK$38,418,000 (2007: HK$31,549,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$4,844,000 (2007: HK$2,336,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$33,574,000 (2007: HK$29,213,000) due to the unpredictability of future profit streams.

29. PLEDGE OF ASSETS

As at 31st December, 2008, bank facilities to the extent of HK$3,300,000 (2007: HK$3,300,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (2007: HK$3,500,000).

As at 31st December, 2008, bank deposits of HK$65,406,000 (2007: 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.

30. 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 approximately 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.

31. 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:

	2008	2007
	HK$'000	HK$'000
Within one year	**66,101**	65,189
In the second to fifth year inclusive	**261,626**	262,320
Over five years	**138,989**	204,396
	466,716	531,905

At 31st December, 2008, 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 2011 and rentals for the remaining lease terms will be determined in February 2011 based on market conditions and the relevant terms of the leases.

32. RETIREMENT BENEFITS SCHEMES

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

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

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

The total cost charged to the consolidated income statement of HK$1,336,000 (2007: HK$1,622,000) represents contributions payable to the MPF Scheme, there were no forfeited contributions available to reduce future contributions at the balance sheet date.

33. 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 9. The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. 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.

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

Available-for-sale investments of the Group are stated at cost less impairment. Determining whether the available-for-sale investments are impaired requires an estimation of the value in use of the hotel and spa operation. The value in use calculation required the management of the Group to estimate the future cash flows expected to be generated from the hotel and spa operation 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.

35. 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 23, 26 and 27 respectively, 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 audit committee reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with the issued share capital. Based on recommendations of the committee, 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 2007.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**281,177**	348,020
Available-for-sale financial assets	**88,920**	137,520
Financial liabilities		
At amortised cost	**84,404**	87,632

(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 significant interest rate risk on financial liabilities as loans to an investee, the promissory notes, amount due to a minority shareholder of a subsidiary and convertible bonds are all non-interest bearing.

Other than pledged bank deposits, the remaining bank balances comprise short term bank deposits at floating interest rate. The pledged bank deposits are at fixed interest rate. The directors of the Group consider that the fair value interest rate risk is insignificant due to the short maturity of the fixed rate pledged bank deposits. The Group currently does not have any hedging policy against interest rate risk and will consider should the needs arise.

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 cash flow projections of the hotel and spa operations and the fair value of the investment properties held by the investees.

36. FINANCIAL INSTRUMENTS (continued)

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

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 audit committee annually.

The Group has concentration of credit risk as 25% (2007: 23%) and 55% (2007: 43%) 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 17. At 31st December, 2008, the Group re-assessed the future repayment schedule of the outstanding loans and considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investees and the project development plan. The directors of the Company consider that the default risks of the investee is not significant after considering the financial position and future development plans of the investee.

The credit risk on liquid funds is limited because the directors of the Company consider that the counterparties are financially sound.

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.

36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management (continued)

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	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2008								
Non-interest bearing	–	8,866	5,000	32,998	39,400	15,000	101,264	84,316
Finance lease obligation fixed rate	2.5	76	13	–	–	–	89	88
		8,942	5,013	32,998	39,400	15,000	101,353	84,404

	Weighted average effective interest rate %	6 months or less HK$'000	6–12 months or less HK$'000	1–2 years HK$'000	2-5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows amount HK$'000	Carrying amount HK$'000
2007								
Non-interest bearing	–	10,079	5,000	32,998	39,400	20,000	107,477	87,401
Finance lease obligation fixed rate	2.5	76	77	89	–	–	242	231
		10,155	5,077	33,087	39,400	20,000	107,719	87,632

(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.

Other than set out in notes 17, 23, 26 and 27, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

37. PRINCIPAL SUBSIDIARIES

(i) Particulars of the principal subsidiaries at 31st December, 2008 and 31st December, 2007 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		Principal activities
			Directly	Indirectly	
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 share	–	100%	Sub-leasing of investment properties
Lubrano Properties Limited	British Virgin Islands	US$50,000 Ordinary shares	–	100%	Investment holding
Topgain Investments 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.

37. PRINCIPAL SUBSIDIARIES (continued)

(ii) Distributable reserves

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

	2008 HK$'000	2007 HK$'000
Contributed surplus (Note)	**84,239**	84,239
Retained profits	**1,406**	5,946
	85,645	90,185

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.

38. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, there will be a group restructuring on the investment holding company holding the investment property and a hotel resort complex operation in Macau. As stated in note 16, the Company, through its subsidiary and Richbo held 6% effective interest in an investment property and 12% effective interest in the hotel resort complex operation. Should the group restructuring been completed, the Group's effective interest in the hotel resort complex operation will be diluted from 12% to 6%. The group restructuring will only be completed upon all the conditions stipulated in the agreements being fulfilled or becoming unconditional. The directors of the Company are still assessing the financial impact to the Group arising from the group restructuring.

FINANCIAL SUMMARY

	As at 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**169,292**	154,444	149,766	97,495	109,247
(Loss) profit for the year	**(109,826)**	(16,916)	313	(73,450)	86,419

	As at 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**423,443**	537,183	580,772	340,284	770,931
Total liabilities	**(89,294)**	(93,208)	(176,943)	(25,578)	(382,775)
	334,149	443,975	403,829	314,706	388,156
Attributable to:					
Equity holders of the Company	**334,147**	443,973	403,827	314,706	388,156
Minority interests	**2**	2	2	–	–
	334,149	443,975	403,829	314,706	388,156

PARTICULARS OF INVESTMENT PROPERTIES

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 OF 2009 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2009 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 Wednesday, 17th June, 2009 at 10:00 a.m. for the following purposes:

1. To receive and approve the audited consolidated financial statements and the directors' report and the independent auditor's report for the year ended 31st December, 2008.

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

3. To re-appoint the Company's 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, 2009

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 Rooms 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.