



DAIDO

Stock Code 股份代號 : 00544

大同集團有限公司

DAIDO

Group Limited Annual Report
年報 2009

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Au Tat Wai (*Chief Executive Officer*)

Mr. Choy Kai Sing

Mr. Ho Hon Chung, Ivan

Mr. Tang Tsz Man, Philip

Non-executive Director

Mr. Fung Wa Ko (*Chairman*)

Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

COMMITTEES

Audit Committee

Mr. Leung Chi Hung (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Tse Yuen Ming

Remuneration Committee

Mr. Fung Siu Kit, Ronny (*Chairman*)

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

Nomination Committee

Mr. Tse Yuen Ming (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

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

Hang Seng Bank 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

18th Floor

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 announce that the Group recorded a net loss of approximately HK\$6 million for the financial year ended 31st December, 2009, from a net loss of approximately HK\$110 million in the previous year.

Like most other companies, the Group endured a bumpy ride in 2009, particularly in the first half of the year, as the adverse impact of the global tsunami that hit the world in the second half of 2008 and the consequent economic downturn continued to play out.

The Hong Kong economy slipped into recession in the second quarter of 2008 and remained in contraction until the second quarter of 2009 while major economies in the world were also trapped in recession during the first half of 2009.

Against this adverse economic backdrop, the Group's core business, the cold storage and related services operation, continued to perform steadily in 2009, thanks to the Group's well-established foundation and reputation in the industry as well as the Management's strategic move in converting some of our existing non-freezer compartments to freezer-storage facilities, which command stronger demand and enjoy wider profit margins than non-freezer compartments.

With consumer confidence in Hong Kong strengthening along with the economic recovery from the second half of 2009, the consumption of frozen food in the city is expected to continue to grow, boding well for the prospect of the Group's cold storage operation in the coming year.

The performance of the hotel resort complex operation in Macau of which the Group has a minority interest has been improving despite all the headwinds. With the cost-saving measures implemented and the renovation and reconstruction works being implemented, coupled with a gradual recovery in the tourism in this region, I am confident that the performance of this investment will continue to improve in the years to come, creating value for shareholders in the long run.

The Management will keep on cautiously manage the Group's existing businesses and explore other accretive business opportunities.

To conclude, I wish to thank all our clients and shareholders for your continued support. I would also like to express my gratitude to our entire staff for its diligence and dedication.

FUNG WA KO

Chairman

Hong Kong, 31st March, 2010

Management Discussion and Analysis

OVERALL RESULTS

For the financial year ended 31st December, 2009, total turnover of the Group amounted to approximately HK\$155 million, down 8% when compared to the previous financial year of approximately HK\$169 million. Loss attributable to owners of the Company was approximately HK\$6 million, against a loss of approximately HK\$110 million in the previous year. The loss in last year was mainly attributable to the impairment loss on the available-for-sales investments of approximately HK\$49 million and adjustment on loans to an investee of approximately HK\$61 million. Loss per share was HK\$0.72 cent, against loss per share of HK13.18 cent in 2008.

The Group is principally engaged in the operation of cold storage and related services, property investment and investment holding.

BUSINESS REVIEW

Cold storage and related services

During the financial year 2009, the Group's core business, the cold storage and related services operation, performed steadily as the sharp rally in the equity and property markets and the gradual recovery in the economy in the second half of the year boosted consumer confidence, spurring consumption demand for frozen food and therefore demand for cold storage by food distributors.

Hong Kong's consumer confidence index ("CCI") jumped 14 points to 93 in the third quarter of 2009 compared with the previous quarter — the highest increase among 54 markets surveyed, according to a Nielsen confidence report released in November 2009.

The CCI rose another 7 points to 100 in the fourth quarter — also the highest increase among 29 markets surveyed, according to another Nielsen report released in January 2010.

The Management's strategic move to convert some non-freezer compartments to freezer compartments, which enjoy stronger demand and higher profit margins, has borne fruit in terms of a higher overall occupancy rate.

The conversion work was implemented in phases, some of which were completed in early 2009 while the rest was completed in July 2009.

Meanwhile, demand for cold storages from food wholesalers (importers and suppliers) became stronger during the second half of the year compared with the first half as they were eager to build up their inventories in order to capitalise on expected increases on food prices amid signs of a perceived inflation along with economic recovery.

According to the latest statistics data from the Census and Statistics Department of Hong Kong ("CSD"), the composite consumer prices index ("CPI") staged a rally from September 2009 after bottoming out in the previous month.

The year-on-year change in the CPI rose gradually to a positive 1.3% in December from a low of negative 1.6% in August 2009, resulting in a 0.5% annual growth for the whole year.

The composite CPI recorded a year-on-year increase in 2009 mainly because of increases in prices of food and private housing rentals, CSD said.

The logistics services operation, which serves most of our cold storage customers, also reported some improvement in the second half of the year after being hit by the economic downturn in early months of the year.

Management Discussion and Analysis

BUSINESS REVIEW (continued)

Cold storage and related services (continued)

The Group produces edible ice cubes and industrial ice bars for consumption purpose and construction use respectively. The sales of these products decreased during the year, as the construction activities in Hong Kong remain stagnation.

Sales of ice cubes are usually stronger in the second half of a year due to larger demand from the food and catering industries during that period. Meanwhile, the demand for industrial ice bars is usually under the sway of construction activity.

Investments

For the Group's investment, the hotel resort complex operation in Macau remained in the red due to an unfavourable operating environment.

The global economic downturn that hit the world in 2008 persisted through the first half of 2009, causing a slump in Macau's tourism as indicated by the drop in visitor arrivals.

Data from the Statistics and Census Service of Macau indicated that visitor arrivals in 2009 plunged 5.1% from the previous year to around 21.75 million.

Meanwhile, visitors from Mainland China in 2009, which accounted for 49.6% of the total number of visitor arrivals during the year, declined 5.4% from 2008 to approximately 10.99 million after mainland authorities tightened travel restrictions on mainland visitors since May 2008.

Visitors from South East Asia, who are the major clientele of our hotel, dropped 8.6% to approximately 1.34 million in 2009 from approximately 1.47 million in the previous year as the global economic downturn took its toll in the region as well. Visitors from South East Asia accounted for about 6.2 percent of Macau's total visitor arrivals in 2009.

The decline in visitors aggravated the oversupply of hotels and resorts in Macau, heightening competition among operators in the market.

Data from the Statistics and Census Service of Macau showed that available guest rooms in the hotel sector totalled 19,216 at the end of 2009, an increase of about 10% from 17,490 in 2008. Meanwhile, total gambling tables in Macau stood at 4,770 at the end of 2009, an increase of 18.7% from 4,017 in 2008.

However, the operating loss of the investment narrowed down in the second half of the year as the tourism in Macau gradually recovered along with the economy, and the positive effects of cost-cutting measures implemented by the hotel management in response to the negative operating environment gradually emerged.

In a strategic move to improve the operating performance of the investment, the hotel management undertook major renovation and reconstruction works on the hotel resort complex that houses its hotel, casino, amenities and car park. As part of the renovation works, the casino has been moved to the hotel building.

The hotel management plans to review the hotel resort complex operations by injecting new elements and renovation works on the four buildings to enhance the competitive advantage in the hospitality industry.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31st December, 2009, banking facilities to the extent of approximately HK\$3.5 million (2008: HK\$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK\$3.5 million (2008: HK\$3.5 million). The amount utilised at 31st December, 2009 was approximately HK\$3.1 million (2008: HK\$3.1 million).

As at 31st December, 2009, bank deposits of approximately HK\$65 million (2008: approximately HK\$65 million) were pledged to a bank which provides bank guarantees in favour of two landlords for a sum equivalent to 12 months rent payable by the Group under tenancy agreements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2009, the Group had cash and bank balances of approximately HK\$161 million. (2008: approximately HK\$109 million). The increase was mainly due to net proceeds of HK\$55 million from new shares issued pursuant to placing and subscription arrangements in August 2009. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was 18% as at 31st December, 2009 (2008: 21%).

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 principally financed by internal cash generation.

SHARE CAPITAL STRUCTURE

The total issued share capital of the Company was HK\$41,680,000 divided into 4,168,000,000 ordinary shares with a par value of HK\$0.01 each as at 31st December, 2008.

On 14th August, 2009, the Company entered into share placing and subscription arrangements for the placement and subscription of 830,000,000 shares of HK\$0.068 each. The share placing and subscription arrangements were completed on 20th August, 2009 and 24th August, 2009 respectively and the net proceeds received was HK\$55 million, which is used for general working capital.

For further details, please refer to the announcements of the Company dated 14th August, 2009 and 24th August, 2009.

On 24th November, 2009, every five issued and unissued existing shares of HK\$0.01 each in share capital of the Company consolidated into one consolidated share of HK\$0.05 (the "Share Consolidation"). After completion of the Share Consolidation, the par value of each issued consolidated share is reduced from HK\$0.05 to HK\$0.01 by cancelling the paid up capital to the extent of HK\$0.04 on each issued consolidated share (the "Capital Reduction") and the credit arising in the accounts of the Company from the Capital Reduction was credited to capital reserve account of the Company on 18th December, 2009. (collectively the "Capital Reorganisation").

The Capital Reorganisation was approved by the shareholders on 23rd November, 2009. For further details, please refer to the announcements of the Company dated 21st October, 2009, 23rd November, 2009, 2nd December, 2009 and 18th December, 2009 respectively and the circular of the Company dated 29th October, 2009.

As a result of the share placing and subscription arrangements and the Capital Reorganisation, the total issued share capital of the Company was HK\$9,996,000 divided into 999,600,000 ordinary shares (adjusted for the Share Consolidation that became effective on 24th November, 2009) with a par value of HK\$0.01 each (adjusted for the Capital Reduction that became effective on 18th December, 2009) as at 31st December, 2009.

Management Discussion and Analysis

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2009, the total number of employees of the Group in Hong Kong was 279 employees (31st December, 2008: 266 employees). Remuneration is reviewed annually and in addition to the basic salaries, the Group also provides staff benefits including discretionary bonuses, mandatory provident fund and professional tuition/training subsidies for employees' benefit.

PROSPECTS

Looking ahead, the Management is generally optimistic about the prospects for the Group's businesses in the coming year as major economies in the world and the local economy are gradually recovering from their slump in 2008 and in early months of 2009, with the negative impacts of the global financial tsunami basically disappeared.

However, the Group sees some challenges ahead particularly in terms of rising pressure in the operating cost.

Cold storage and related services

The Management is optimistic about the prospects for the Group's core business, the cold storage operation, as the recovery in the Hong Kong economy is increasingly gaining momentum.

The improving economic conditions, particularly a stronger labour market, coupled with the positive wealth effect associated with rising asset prices, will likely continue to bolster consumer confidence, boosting demand for frozen foods and therefore demand for cold storage.

Hong Kong's economy has technically ended its four-quarter-long recession after it posted a quarter-on-quarter growth in the three months ended June 2009. The economy continued to strengthen since then, with the gross domestic product ("GDP") expanded by 2.6% in the fourth quarter of 2009 in real terms over a year earlier, its first year-on-year positive growth in five quarters. Along with the economic recovery, the unemployment situation improved steadily, falling back to 4.9% at the end of 2009, below the 5% mark for the first time since early 2009.

Furthermore, expectations for accelerated inflation along with the economy recovery will likely prompt food wholesalers to build up their inventories to capitalise an expected food prices uptrend in the future, further boosting demand for the Group's cold storage services.

The Management is confident that the Group can sustain a high occupancy rate for its cold storage facilities in the coming year, given the rising demand for its services.

However, the higher electricity tariff, staff cost and other operating costs for this year may weigh on the profit margins of the cold storage business.

The market outlook for industrial ice bars remains positive as construction works on a number of large-scale public infrastructure projects have commenced and are expected to last several years. For example, construction work on the Hong Kong-Zhuhai-Macau Bridge commenced in December 2009 and is scheduled for completion by 2016. Construction work on the New Cruise Terminal at Kai Tak has also commenced in December 2009 while construction works on other mega infrastructure projects such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link are expected to start in coming years. The government's decision to speed up reconstruction works in old districts also bodes well for demand of industrial ice bars.

Meanwhile, the ice cube business is expected to remain stable as the Group has entered into an agreement with its sole buyer, under which the buyer undertakes to procure a certain volume of ice cubes from the Group annually.

Management Discussion and Analysis

PROSPECTS (continued)

Investments

The Group expects to see further improvements in the hotel resort complex operation in Macau as the local tourism has shown early signs of recovery.

Information from the Statistics and Census Service of Macau indicated that total visitor arrivals increased by 6.7% year-on-year to 2,035,857 in December 2009, with mainland visitors jumping 17.8% year-on-year to 1,010,689.

Total visitor arrivals in January 2010 continued to rebound, posting another 6.8% year-on-year increase to 2,046,556. In the same month, visitors from the Mainland China surged 18.9% from the same month last year to 1,131,660.

Meanwhile, the renovation and reconstruction works on the hotel resort complex will help expand its business scope, save operating costs and boost revenue.

On 11th February, 2010, the Group entered into an agreement with a third party to sell the investment properties in the Hunghom Commercial Centre in Hunghom, Kowloon for a total consideration of HK\$20 million.

The Group also expects to reflect a positive change in fair value of the investment properties at the completion of the transaction, which shall take place within 12 months from the date of the agreement. The investment properties have been licensed to the buyer for a monthly licence fee of HK\$45,000 or 50% of the monthly net turnover, whichever is higher, from 11th February 2010 for 12 months or until the completion of the transaction, whichever is earlier.

The group believes that the disposal of the investment properties is in the interest of the Group and its shareholders as a whole. It will help enhance the Group's liquidity.

For further details, please refer to the announcement of the Company dated 11th February, 2010.

The management will continue to strengthen its main operations and expedite the business growth by exploring any new business opportunities to maximise shareholders' value. The Group is confident about its future and is ready to take on new challenges in 2010.

Directors of the Company

MR. FUNG WA KO, aged 48, joined the Group as an executive director and the Chief Executive Officer of the Company in October 2003. He was appointed as the Deputy Chairman of the Company in April 2004 and has become the Chairman and an authorized representative of the Company in August 2006. In September 2009, Mr. Fung was re-designated from an executive director to a non-executive director and resigned as the Chief Executive Officer and an authorized representative, but remains to serve as the Chairman of the Company providing leadership for the Board. Mr. Fung has over 20 years of experience in the area of business development, corporate management and budget control. He received his education in the United Kingdom and has worked in various management positions in Hong Kong, Mainland China, and other countries in Asia Pacific Regions.

MR. AU TAT WAI, aged 37, joined the Group as an executive director and the Chief Executive Officer of the Company in September 2009. He has also served as a director of certain subsidiaries of the Company and is responsible for all day-to-day corporate management matters. Mr. Au graduated from Lakehead University — Ontario, Canada with a Bachelor of Business Administration and subsequently received his Master of Business Administration from The Hong Kong University of Science and Technology. He has over 8 years' experience in information technology and e-commerce business and theme park and resort sectors project development.

MR. CHOY KAI SING, aged 46, joined the Group in June 1998. Mr. Choy is currently the Chief Financial Officer and the Company Secretary of the Company and has also served as a director of certain subsidiaries of the Company. He was appointed as an executive director and an authorized representative of the Company in August 2009 and September 2009 respectively. He is responsible for the finance and accounting affairs of the Group. Mr. Choy is a fellow member of Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. He is a Certified Public Accountant and has over 20 years' working experience in auditing, accounting and investment banking.

MR. HO HON CHUNG, IVAN, aged 55, was appointed as an executive director of the Company in November 2009 and has also served as a director of certain subsidiaries of the Company. Mr. Ho has been in the travel industry and consultancy services for over 20 years, principally in the senior managerial position.

MR. TANG TSZ MAN, PHILIP, aged 44, joined the Group as an executive director and an authorized representative of the Company in August 2003 and has also served as a director of certain subsidiaries of the Company. Mr. Tang has over 20 years of business management experience in telecommunication industry and manufacture of metal products industry.

MR. FUNG SIU KIT, RONNY, aged 66, joined the Group as an independent non-executive director of the Company in August 2009. He is also the chairman of remuneration committee and the member of audit committee and nomination committee of the Company respectively. Mr. Fung has worked for a local bank for 20 years and has over 30 years' experience in banking, finance, investment and securities. Currently, He is a director of Goldfield Asia Investment Limited, a company provide gold/silver trading in Hong Kong.

Directors of the Company

MR. LEUNG CHI HUNG, aged 54, joined the Group as an independent non-executive director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Arthur Mo & Co. Limited. Mr. Leung is also an independent non-executive director of Dore Holdings Limited and Temujin International Investments Limited, both companies listed on The Stock Exchange of Hong Kong Limited.

MR. TSE YUEN MING, aged 42, joined the Group as an independent non-executive director of the Company in August 2003. He is also the chairman of nomination committee and the member of audit committee and remuneration committee of the Company respectively. Mr. Tse is a partner of Messrs. Tung, Ng, Tse & Heung. He holds a bachelor of laws degree with honours from the University of Hong Kong and admitted to The Supreme Court of Hong Kong as a solicitor in 1993. Mr. Tse is also the Vice President of the Intellectual Property Committee of The Hong Kong Chamber of Small and Medium Business, the Legal Adviser of Life Underwriters & Sales Executives Board (HK) Ltd. and ECO Foundation Limited. Since 30th April, 2008, the circumstances of Mr. Tse under rule 13.51(2)(s) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited has been changed, details of which was disclosed in the announcement of the Company dated 12th March, 2010.

Disclosure of Changes in Directors' Information

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 9 to 10, as well as their emoluments as set out on page 52, of this annual report, there are no other changes in directors' information.

Directors' Report

The directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

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, 2009 are set out in the consolidated statement of comprehensive income on page 30.

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 33.

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 consolidated 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, 2009 comprised contributed surplus of HK\$84,239,000 (2008: HK\$84,239,000) and retained profits of HK\$6,591,000 (2008: HK\$1,406,000).

Details of the Company's distributable reserves are set out in note 37(ii) to the consolidated financial statements.

Directors' Report

DIRECTORS

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

Executive Directors

Mr. Au Tat Wai (<i>Chief Executive Officer</i>)	(appointed on 15th September, 2009)
Mr. Choy Kai Sing	(appointed on 13th August, 2009)
Mr. Ho Hon Chung, Ivan	(appointed on 2nd November, 2009)
Mr. Tang Tsz Man, Philip	

Non-executive Director

Mr. Fung Wa Ko (<i>Chairman</i>)	(re-designated on 15th September, 2009)
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Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny	(appointed on 13th August, 2009)
Mr. Leung Chi Hung	
Mr. Leung, Tsz Fung David Ferreira	(resigned on 13th August, 2009)
Mr. Tse Yuen Ming	

Mr. Leung, Tsz Fung David Ferreira resigned as an independent non-executive director of the Company on 13th August, 2009. On the same date, Mr. Fung Siu Kit, Ronny was appointed as an independent non-executive director by the Board of the Company to fill a casual vacancy on the Board. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Fung Siu Kit, Ronny had retired and offered himself for re-election at the special general meeting of the Company held on 23rd November, 2009 and was re-elected at the same meeting.

Mr. Choy Kai Sing was appointed as an executive director by the Board of the Company on 13th August, 2009. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Choy Kai Sing will retire at the next following annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

Mr. Fung Wa Ko was re-designated from an executive director to a non-executive director of the Company, and resigned as the Chief Executive Officer and an authorised representative of the Company, but remains to serve as the Chairman of the Company on 15th September, 2009. On the same date, Mr. Au Tat Wai was appointed as an executive director and the Chief Executive Officer of the Company. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Au Tat Wai will retire at the next following annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

Mr. Ho Hon Chung, Ivan was appointed as an executive director by the Board of the Company on 2nd November, 2009. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Ho Hon Chung, Ivan will retire at the next following annual general meeting of the Company and, being eligible, offer himself for re-election at the same meeting.

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

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

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

Directors' Report

INTERESTS OF DIRECTORS

As at 31st December, 2009, 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, 2009 and 31st December, 2009 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.

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2009, 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	202,323,133	—	20.24%
Bingo Chance Limited ^(Note 2)	Beneficial owner	140,000,000	—	14.01%
Elite Plan Investments Limited ^(Note 2)	Interest of controlled corporation	140,000,000	—	14.01%
Wulglar Wai Wan ^(Note 2)	Interest of controlled corporation	140,000,000	—	14.01%
Equity Capital Group Limited ^(Note 3)	Beneficial owner	62,323,132	—	6.23%
So Yiu Ming, Sunny ^(Note 3)	Interest of controlled corporation	62,323,132	—	6.23%
Lam Fung Yee, Venue ^(Note 3)	Spouse interest	62,323,132	—	6.23%
Ever Apollo Limited ^(Note 4)	Beneficial owner	14,788,000	42,068,965	5.69%
Fung Ho Sum ^(Note 4)	Interest of controlled corporation	14,788,000	42,068,965	5.69%
Wong Ka May ^(Note 4)	Spouse interest	14,788,000	42,068,965	5.69%

Notes:

- The entire issued share capital of Ever Achieve Enterprises Limited is beneficially owned by Mr. Chung Chiu Pui, Ms. Foo Hang Luen, Monita, Ms. Lee Yun and Mr. Yuen Kin Wing in equal shares.
- Wulglar Wai Wan is the sole ultimate beneficial owner of Bingo Chance Limited and Elite Plan Investments Limited. She is deemed to be interested in the 140,000,000 shares which are held by Bingo Chance Limited under the SFO. Wulglar Wai Wan is an elder sister of Mr. Ho Hon Chung, Ivan, whom is an executive director of the Company.
- Mr. So Yiu Ming, Sunny is the sole beneficial owner of Equity Capital Group Limited. Each of him and his spouse, Ms. Lam Fung Yee, Venue is deemed to be interested in 62,323,132 shares which are held by Equity Capital Group Limited under the SFO.
- Other than the interest in 14,788,000 shares, Ever Apollo Limited is also deemed to have interest in the share capital of the Company in respect of 42,068,965 shares which may fall to be allotted and issued to it upon exercise of the conversion right attaching to the convertible bonds under the SFO. Mr. Fung Ho Sum is the sole beneficial owner of Ever Apollo Limited. Each of him and his spouse, Ms. Wong Ka May is deemed to be interested in the shares which are held by Ever Apollo Limited under the SFO.

Directors' Report

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Save as disclosed above, as at 31st December, 2009, 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, 2009, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 48% 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, 2009, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 60% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 28% 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 17 to 27.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

Directors' Report

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, 31st March, 2010

Corporate Governance Report

The board of directors (the "Board") keeps to maintain a set of corporate governance principles, practices and procedures to ensure that the Company is managed in Shareholders' best long-term interests, and to promote the sustainable development of the Company. 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.

The Company has also 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, 2009, except for the deviations as stated in paragraph headed "Appointment, Re-election and Removal" and "Chairman and Chief Executive Officer".

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

CORPORATE GOVERNANCE STRUCTURE

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

BOARD OF DIRECTORS

Board Composition

The Board members for the year ended 31st December, 2009 and up to the date of this annual report were:

Executive Directors

Mr. Au Tat Wai	(also appointed as Chief Executive Officer on 15th September, 2009)
Mr. Choy Kai Sing	(appointed on 13th August, 2009)
Mr. Ho Hon Chung, Ivan	(appointed on 2nd November, 2009)
Mr. Tang Tsz Man, Philip	

Non-executive Director

Mr. Fung Wa Ko (<i>Chairman</i>)	(re-designated from an Executive Director to Non-executive Director and resigned as the Chief Executive Officer on 15th September, 2009)
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Independent Non-executive Directors

Mr. Fung Siu Kit, Ronny	(appointed on 13th August, 2009)
Mr. Leung Chi Hung	
Mr. Leung, Tsz Fung David Ferreira	(resigned on 13th August, 2009)
Mr. Tse Yuen Ming	

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Board Composition (continued)

The biographical details of all Directors and the relationships among them are set out in the “Directors of the Company” on pages 9 to 10 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.

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

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

Corporate Governance Report

BOARD OF DIRECTORS (continued)

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. Au Tat Wai	(also appointed as Chief Executive Officer on 15th September, 2009)	1/1
Mr. Choy Kai Sing	(appointed on 13th August, 2009)	1/1
Mr. Ho Hon Chung, Ivan	(appointed on 2nd November, 2009)	0/1
Mr. Tang Tsz Man, Philip		4/4
Non-executive Director		
Mr. Fung Wa Ko	(re-designated from an Executive Director to Non-executive Director and resigned as the Chief Executive Officer on 15th September, 2009)	4/4
Independent Non-executive Directors		
Mr. Fung Siu Kit, Ronny	(appointed on 13th August, 2009)	1/1
Mr. Leung Chi Hung		4/4
Mr. Leung, Tsz Fung David Ferreira	(resigned on 13th August, 2009)	3/3
Mr. Tse Yuen Ming		4/4

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.

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 deal 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.

Corporate Governance Report

BOARD OF DIRECTORS (continued)

Continuing Professional Development

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

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

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.

According to the code provision A.4.1, non-executive director should be appointed for a specific term of service. While there is no service contract was entered into between the Non-executive Director of the Company, Mr. Fung Wa Ko, and the Company for a specific term of service but his appointment is subject to retirement by rotation and offers himself for re-election in accordance with the Bye-Laws of the Company.

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

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.

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.

Mr. Fung Wa Ko was appointed as an Executive Director and Chief Executive Officer of the Company in October 2003 and has become the Chairman of the Company in August 2006, who is responsible for managing the Board and the Group's business. The Board considers that Mr. Fung has strong expertise and excellent insight of the business development, corporate management and budget control, he has led to more effective implementation of the overall strategy and ensured smooth operation of the Company. While following the re-designation of Mr. Fung as a Non-executive Director of the Company and resignation of the Chief Executive Officer of the Company on 15th September, 2009 and the Board considered to maintain the effectiveness of the Group's corporate governance structure, the Board has appointed Mr. Au Tat Wai as an Executive Director and the Chief Executive Officer of the Company on the same date. In respect of the aforesaid changes, the roles of Chairman and Chief Executive Officer of the Company have been separately performed and the division of responsibilities between the Chairman and Chief Executive Officer of the Company has been clearly set out that Mr. Fung Wa Ko has remained to serve as the Chairman and is responsible for providing leadership for the Board, and Mr. Au Tat Wai has served as the Chief Executive Officer and is responsible for all day-to-day corporate management matters.

Corporate Governance Report

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 currently comprises three members, all of whom are Independent Non-executive Directors and its members are:

Mr. Tse Yuen Ming (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Leung Chi Hung

The Nomination Committee has established a formal and transparent process for the Company in the appointment of new Directors and re-nomination and re-election of Directors at regular intervals. It is also responsible for 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.

Mr. Fung Siu Kit, Ronny was appointed as an Independent Non-executive Director of the Company to fill a casual vacancy on the Board with effect from 13th August, 2009. In accordance with Bye-Law 86(2) of the Company's Bye-Laws, Mr. Fung Siu Kit, Ronny had retired and offered himself for re-election at the special general meeting of the Company held on 23rd November, 2009 and was re-elected at the same meeting. In addition, each of Mr. Choy Kai Sing, Mr. Au Tat Wai and Mr. Ho Hon Chung, Ivan was appointed as Executive Director of the Company for an addition to the existing Board with effect from 13th August, 2009, 15th September, 2009 and 2nd November, 2009 respectively. In accordance with the Bye-Law 86(2) of the Company's Bye-Laws, each of them shall hold office until the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

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

None of the Independent Non-executive Directors has served as Directors for more than nine years.

During the year ended 31st December, 2009, the significant matters discussed by the Nomination 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 Independent Non-executive Directors and makes recommendation to the Board accordingly; and
- identify individuals suitably qualified to become Board members and Chief Executive Officer of the Company and select or make recommendations to the Board on the selection of, individuals nominated for directorships.

Corporate Governance Report

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 currently comprises three Independent Non-executive Directors and its members are:

Mr. Fung Siu Kit, Ronny (*Chairman*)

Mr. Leung Chi Hung

Mr. Tse Yuen Ming

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

Details of the amount of Directors' emoluments during the financial year ended 31st December, 2009 are set out in note 9 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.

During the year ended 31st December, 2009, the significant matters discussed by the Remuneration 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.

Corporate Governance Report

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 currently comprises three Independent Non-executive Directors and its members are:

Mr. Leung Chi Hung (*Chairman*)

Mr. Fung Siu Kit, Ronny

Mr. Tse Yuen Ming

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

During the year ended 31st December, 2009, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2008 and the unaudited financial statements for the three months ended 31st March 2009, six months ended 30th June, 2009 and nine months ended 30th September, 2009
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 29th March, 2010, the Audit Committee reviewed the internal control report, the Directors’ report and financial statements for the year ended 31st December, 2009 together with the annual results announcement, with a recommendation to the Board for approval.

Corporate Governance Report

COMMITTEES OF THE BOARD (continued)

Attendance Record at Board Committee Meetings

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

		Number of meetings attended/ Number of meetings held		
		Nomination Committee	Remuneration Committee	Audit Committee
Mr. Fung Siu Kit, Ronny	(appointed on 13th August, 2009)	N/A	N/A	2/2
Mr. Leung Chi Hung		2/2	1/1	6/6
Mr. Leung, Tsz Fung	(resigned on 13th August, 2009)	2/2	1/1	4/4
David Ferreira				
Mr. Tse Yuen Ming		2/2	1/1	6/6

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, 2009. 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 28.

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.

Corporate Governance Report

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2009 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, 2009 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, 2009, the external auditors of the Group provided the following services to the Group:

	2009	2008
	HK\$'000	HK\$'000
Audit services	654	630
Review on interim results	180	180
Other advisory services	35	–
Total:	869	810

The Audit Committee is of the view that the auditor's independence was not affected by the provision of the non-audit related services during the year.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility 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 Group has an effective financial reporting system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and its training programmes and budget.

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

The 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.

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

In stage two was started in 2007, 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.

During the year ended 31st December, 2009, the Company has carried out the review and re-test of the internal control implementation of account receivable, account payable and petty cash handling process, ice production and selling, and administration process of several departments, such as manufacturing and trading of ice department, accounting department, cargo department and administrative department.

The re-test results of the above operation areas were satisfied by the Board except a number of control weaknesses in the accuracy measurement in the control effectiveness of ice production and selling. In order to improve the accuracy measurement, the main control implementation is focused on the quantity record of ice and the segregation of duties from inputting data, issuing invoice and delivering of goods to avoid any deficiency.

In addition, the Company has examined the internal control effectiveness in engineering & maintenance department and sales & marketing department during the year. For engineering & maintenance department, it focused on strengthening safety and compliance awareness of the engineering staff and proper implementation of machine maintenance procedure.

Furthermore, the key internal control area of sales & marketing department is to review the new client account opening procedure and the client price adjustment approval procedure.

All the internal control review findings and recommendations of internal control weaknesses have been reported to the Board and the Audit Committee. The Board and the Audit Committee considered that no significant deficiency which may affect Shareholders was found and considered that the internal control system is effective and adequate. Accordingly, all recommendations 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.

Corporate Governance Report

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 17th June, 2009 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. At the special general meeting held on 23rd November, 2009, an Independent Non-executive Director has attended the meeting to response the shareholders queries.

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.

Independent Auditor's Report



TO THE SHAREHOLDERS OF DAIDO GROUP LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Daido Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 74, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Group as at 31st December, 2009 and of the Group's 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, 31st March, 2010

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Revenue	4	155,236	169,292
Direct costs		(137,829)	(149,670)
Gross profit		17,407	19,622
Other income	5	6,194	15,802
Selling and distribution expenses		(3,927)	(3,629)
Administrative expenses		(20,134)	(20,534)
Impairment loss on goodwill	14	–	(3,200)
Impairment loss on available-for-sale investments	16	–	(48,600)
Change in fair value of investment properties	12	900	(2,500)
Adjustment on loans to an investee	17	–	(61,058)
Finance costs	6	(7,333)	(6,061)
Loss before tax		(6,893)	(110,158)
Tax credit	7	438	332
Loss for the year and total comprehensive expense attributable to owners of the Company	8	(6,455)	(109,826)
Loss per share – basic and diluted	11	HK(0.72) cent	HK(13.18) cent

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
NON-CURRENT ASSETS			
Investment properties	12	16,400	15,500
Property, plant and equipment	13	22,553	25,706
Goodwill	14	8,513	8,513
Interest in an associate	15	–	–
Available-for-sale investments	16	88,920	88,920
Loans to an investee	17	58,444	53,866
Prepayment for acquisition of property, plant and equipment		256	1,428
Rental deposits paid		16,352	16,352
Pledged bank deposits	20 & 29	68,906	68,906
		280,344	279,191
CURRENT ASSETS			
Inventories		–	53
Trade and other receivables	19	32,585	34,974
Tax recoverable		–	217
Bank balances and cash	20	160,687	109,008
		193,272	144,252
CURRENT LIABILITIES			
Trade and other payables	21	12,595	13,120
Tax payable		84	–
Obligations under a finance lease	22	58	88
Promissory notes	23	4,762	4,762
		17,499	17,970
NET CURRENT ASSETS		175,773	126,282
TOTAL ASSETS LESS CURRENT LIABILITIES		456,117	405,473

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2009

	Notes	2009 HK\$'000	2008 HK\$'000
CAPITAL AND RESERVES			
Share capital	24	9,996	41,680
Reserves		372,723	292,467
		382,719	334,147
Equity attributable to owners of the Company		4,691	2
Minority interest			
		387,410	334,149
NON-CURRENT LIABILITIES			
Obligations under a finance lease	22	225	–
Amount due to a minority shareholder of a subsidiary	26	24,650	25,805
Convertible bonds	27	21,293	19,631
Promissory notes	23	22,375	25,252
Deferred tax liabilities	28	164	636
		68,707	71,324
		456,117	405,473

The consolidated financial statements on pages 30 to 74 were approved and authorised for issue by the Board of Directors on 31st March, 2010 and are signed on its behalf by:

AU TAT WAI
Director

CHOY KAI SING
Director

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Retained profits	Convertible bond equity reserve	Total	Minority interests	Total
					reserve			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2008	41,680	126,043	–	268,103	8,147	443,973	2	443,975
Loss for the year and total comprehensive expense	–	–	–	(109,826)	–	(109,826)	–	(109,826)
At 31st December, 2008	41,680	126,043	–	158,277	8,147	334,147	2	334,149
Loss for the year and total comprehensive expense	–	–	–	(6,455)	–	(6,455)	–	(6,455)
Deemed contribution on interest-free advance from a minority shareholder of a subsidiary	–	–	–	–	–	–	4,689	4,689
Issue of new shares pursuant to placing and subscription arrangements	8,300	48,140	–	–	–	56,440	–	56,440
Capital reduction	(39,984)	–	39,984	–	–	–	–	–
Transaction costs attributable to issue of new shares	–	(1,413)	–	–	–	(1,413)	–	(1,413)
At 31st December, 2009	9,996	172,770	39,984	151,822	8,147	382,719	4,691	387,410

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	2009 HK\$'000	2008 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(6,893)	(110,158)
Adjustments for:		
Written back of allowance for trade receivables	(493)	–
Allowance for trade receivables	–	493
Depreciation	7,227	6,753
Finance costs	7,333	6,061
Gain on disposal of property, plant and equipment	(127)	(134)
Impairment loss on goodwill	–	3,200
Impairment loss on available-for-sale investments	–	48,600
Interest income	(5,864)	(12,345)
Change in fair value of investment properties	(900)	2,500
Adjustment on loans and advances	–	58,134
Operating cash flows before movements in working capital	283	3,104
Decrease in inventories	53	40
Decrease (increase) in trade and other receivables	2,902	(652)
Decrease in trade and other payables	(525)	(1,566)
Increase in rental deposits paid	–	(2,134)
Net cash generated from (used in) operations	2,713	(1,208)
Hong Kong Profits Tax refunded	267	390
NET CASH FROM (USED IN) OPERATING ACTIVITIES	2,980	(818)
INVESTING ACTIVITIES		
Interest received	1,285	3,571
Purchase of property, plant and equipment	(2,426)	(12,796)
Prepayment for acquisition of property, plant and equipment	(256)	(1,428)
Proceeds from disposal of property, plant and equipment	174	153
Increase in pledged deposits	–	(8,531)
NET CASH USED IN INVESTING ACTIVITIES	(1,223)	(19,031)
FINANCING ACTIVITIES		
Repayment of promissory notes	(5,000)	(5,000)
Interest paid	(13)	(10)
Repayment of obligations under a finance lease	(92)	(143)
Proceeds from issue of new shares	56,440	–
Transaction costs attributable to issue of new shares	(1,413)	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	49,922	(5,153)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,679	(25,002)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	109,008	134,010
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	160,687	109,008

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 of cold storage and related services, 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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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

(continued)

New and revised HKFRSs affecting presentation and disclosure only (continued)

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 4).

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁵
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁵
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1st July, 2009

² Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate

³ Effective for annual periods beginning on or after 1st January, 2011

⁴ Effective for annual periods beginning on or after 1st February, 2010

⁵ Effective for annual periods beginning on or after 1st January, 2010

⁶ Effective for annual periods beginning on or after 1st July, 2010

⁷ Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 will affect the classification and measurement of the Group's financial assets.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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, as explained in the accounting policies set out below.

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.

Basis of consolidation

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

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

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

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the 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 profit or loss. 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 investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

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 statement of financial position 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, liabilities and contingent 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 not tested for impairment separately. Instead, the entire carrying amount of the investments tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Jointly controlled operations

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 sold and services provided in the normal course of business, net of discounts.

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 on initial recognition.

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 profit or loss in the period 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 profit or loss in the period in which the item is derecognised.

Inventories

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 profit or loss 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 statement of financial position 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.

Operating lease payments are recognised as an expense 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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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 statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, 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.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Company's financial assets are classified as loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 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 to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivable

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loans to an investee, 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).

Subsequent to the initial recognition, if the estimated future cash receipts are revised, the carrying amount of the loans and receivables is adjusted by recalculating the present value of estimated future cash receipts at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or not classified as financial assets at fair value through profit or loss, held-to-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 the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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.

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

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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds

Convertible bonds issued by the Company that contain financial liability, equity components and the issuer's redemption option (which is not closely related to the host liability component) are classified separately into respective 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.

At the date of issue, both the liability and early redemption option components are measured at fair value. The difference between the proceeds of the issue of the convertible bonds and the fair values assigned to the liability and early redemption option components respectively, representing the conversion 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 bonds is carried at amortised cost using the effective interest method. The early redemption option is measured at fair value with changes in fair value recognised in profit or loss. 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 conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the conversion 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 conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and early redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the early redemption option are charged to profit or loss immediately. 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 bonds 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.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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 paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

4. REVENUE AND SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

There are also changes in the basis of measurement of segment result, segment assets and segment liabilities.

In prior years, segment information report externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions (i.e. cold storage and logistics services, manufacturing and trading of ice, and property investment). However, information reported to the chief operating decision maker, the board of directors, for the purposes of resource allocation and performance assessment focuses more on the overall performance and accordingly, cold storage and logistics services and manufacturing and trading of ice are analysed into one single segment – cold storage and related services. Property investment is not regarded as an operating segment as its result is not regularly reviewed by the board of directors.

Information regarding the above segment is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segments revenues and results

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

	2009 HK\$'000	2008 HK\$'000
REVENUE FOR COLD STORAGE AND RELATED SERVICES	155,236	169,292
SEGMENT RESULT FOR COLD STORAGE AND RELATED SERVICES	3,072	1,161
Unallocated income	5,864	15,230
Unallocated expenses	(9,396)	(8,330)
Impairment loss on available-for-sale investments	–	(48,600)
Adjustment on loans to an investee	–	(61,058)
Change in fair value of investment properties	900	(2,500)
Finance costs	(7,333)	(6,061)
Loss before tax	(6,893)	(110,158)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

4. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by cold storage and related services without allocation of interest income, central administration costs including auditor's remuneration, directors' remuneration, change in fair value of investment properties, impairment loss on available-for-sale investments, adjustment on amount due to a minority shareholder of a subsidiary, adjustment on loans to an investee and finance costs. This is the measure reported to the chief operating decision maker, the board of directors, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2009 HK\$'000	2008 HK\$'000
ASSETS		
Segment assets for cold storage and related services	78,026	85,203
Unallocated assets	395,590	338,240
Consolidated assets	473,616	423,443
LIABILITIES		
Segment liabilities for cold storage and related services	11,257	12,245
Unallocated liabilities	74,949	77,049
Consolidated liabilities	86,206	89,294

For the purposes of monitoring segment performances and allocating resources:

- all assets are allocated to cold storage and related services other than investment properties, available-for-sale investments, loans to an investee, pledged bank deposits and bank balances and cash. Goodwill is allocated to cold storage and related services as described in note 14; and
- all liabilities are allocated to cold storage and related services other than tax payable and deferred tax liabilities, promissory notes, amount due to a minority shareholder of a subsidiary and convertible bonds.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

4. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information

2009

**Cold storage
and related
services
HK\$'000**

Amounts included in the measure of segment profit or loss or segment assets:

Written back of allowance for trade receivables

(493)

Additions to non-current assets excluding financial instruments

3,822

Depreciation

7,025

Gain on disposal of property, plant and equipment

(127)

**Unallocated
HK\$'000**

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

Interest revenue

(5,864)

Interest expense

7,333

Tax credit

(438)

Change in fair value of investment properties

(900)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

4. REVENUE AND SEGMENT INFORMATION (continued)

Other segment information (continued)

2008

Cold storage
and related
services
HK\$'000

Amounts included in the measure of segment profit or loss or segment assets:

Allowance for trade receivables	493
Impairment loss on goodwill	3,200
Additions to non-current assets excluding financial instruments	14,210
Depreciation	6,542
Gain on disposal of property, plant and equipment	(134)

Unallocated
HK\$'000

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

Impairment loss on available-for-sale investments	48,600
Interest revenue	(12,345)
Interest expense	6,061
Tax credit	(332)
Change in fair value of investment properties	2,500
Adjustment on loans to an investee	61,058

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

4. REVENUE AND SEGMENT INFORMATION (continued)

Geographical information

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

The Group's non-current assets other than financial instruments are located in Hong Kong.

Revenue from major product and services

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

	2009 HK\$'000	2008 HK\$'000
Cold storage and logistic services	152,063	165,573
Manufacturing and trading of ice	3,173	3,719
	155,236	169,292

Information about major customers

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

	2009 HK\$'000	2008 HK\$'000
Customer A	31,922	17,619
Customer B	21,727	33,679

5. OTHER INCOME

	2009 HK\$'000	2008 HK\$'000
Bank interest income	1,285	3,571
Imputed interest income from loans to an investee	4,579	8,774
Gain on disposal of property, plant and equipment	127	134
Adjustment on amount due to a minority shareholder of a subsidiary	–	2,924
Sundry income	203	399
	6,194	15,802

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

6. FINANCE COSTS

	2009 HK\$'000	2008 HK\$'000
Interest on obligations under a finance lease	13	10
Imputed interest expense on amount due to a minority shareholder of a subsidiary	3,534	2,193
Imputed interest expense on convertible bonds	1,662	1,534
Imputed interest expense on promissory notes	2,124	2,324
	7,333	6,061

7. TAX CREDIT

	2009 HK\$'000	2008 HK\$'000
The tax credit comprises:		
Hong Kong Profits Tax		
Current year	59	–
Overprovision in prior years	(25)	–
Deferred tax (<i>note 28</i>)		
Current year	(472)	(277)
Attributable to change in tax rate	–	(55)
Tax credit	(438)	(332)

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

7. TAX CREDIT (continued)

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

	2009 HK\$'000	2008 HK\$'000
Loss before tax	(6,893)	(110,158)
Tax at the Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	(1,137)	(18,176)
Tax effect of expenses not deductible for tax purpose	1,266	19,671
Tax effect of income not taxable for tax purpose	(967)	(2,520)
Tax effect of tax losses not recognised	454	719
Tax effect of change in tax rate	–	(55)
Tax effect on temporary differences not recognised	–	29
Overprovision in respect of prior years	(25)	–
Others	(29)	–
Tax credit for the year	(438)	(332)

8. LOSS FOR THE YEAR

	2009 HK\$'000	2008 HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Allowance for trade receivables	–	493
Written back of allowance for trade receivables	(493)	–
Auditor's remuneration	654	630
Cost of inventories sold	54	40
Depreciation for property, plant and equipment	7,227	6,753
Minimum lease payments for operating leases in respect of rented premises	66,220	65,189
Direct expense from investment properties not generating rental income	517	567
Total staff costs (including directors' emoluments)	42,237	39,242

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 HK\$'000	Leung Tsz Fung David Ferreira HK\$'000	Au Tat Wai HK\$'000	Fung Siu Kit, Ronny HK\$'000	Choy Kai Sing HK\$'000	Ho Hon Chung, Ivan HK\$'000	2009 HK\$'000
Fees	262	120	90	90	50	21	30	37	22	722
Other emoluments										
Salaries and other benefits	1,057	-	-	-	-	257	-	342	135	1,791
Contributions to retirement benefits scheme	33	3	-	-	-	5	-	23	3	67
Total emoluments	1,352	123	90	90	50	283	30	402	160	2,580

	Fung Wa Ko HK\$'000	Tang Tsz Man, Philip HK\$'000	Leung Chi Hung HK\$'000	Tse Yuen Ming 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

No directors waived any emoluments in the year ended 31st December, 2009 and 2008.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Three (2008: one) out of the five highest paid individuals of the Group were directors of the Company (see above tables for details). Two (2008: nil) of which were employees for part of the year and their emoluments as employees, together with the two (2008: four) remaining highest paid individuals were included in the following:

	2009 HK\$'000	2008 HK\$'000
Salaries and other benefits	2,276	2,063
Contribution to retirement benefits scheme	71	89
	2,347	2,152

Their emoluments were within the following band:

	2009 Number of employees	2008 Number of employees
Nil to HK\$1,000,000	4	4

10. DIVIDEND

No interim dividend is paid during the year (2008: nil).

The directors do not recommend the payment of a dividend for the year (2008: nil).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

11. LOSS PER SHARE

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

	2009 HK\$'000	2008 HK\$'000
Loss for the purpose of basic and diluted loss per share	(6,455)	(109,826)
	'000	'000 (restated)
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	892,723	833,600

The weighted average number of ordinary shares for 2008 and 2009 has been adjusted for share consolidation as disclosed in note 24 to the consolidated financial statements.

The computation of diluted loss per share for 2008 and 2009 does not assume the conversion of convertible bonds since it will result in a decrease in loss per share.

12. INVESTMENT PROPERTIES

	HK\$'000
FAIR VALUE	
At 1st January, 2008	18,000
Decrease in fair value recognised in profit or loss	(2,500)
At 31st December, 2008	15,500
Increase in fair value recognised in profit or loss	900
At 31st December, 2009	16,400

The fair value of the Group's investment properties at 31st December, 2009 and 31st December, 2008 have been arrived at based on a valuation carried out by Asset Appraisal Limited, which is independent firm of professional property valuers not connected with the Group. 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, 2009 and 2008 are vacant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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, 2008	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
Additions	2,248	27	332	1,514	4,121
Disposals	(11)	(99)	(277)	(1,028)	(1,415)
At 31st December, 2009	20,421	1,412	6,146	17,436	45,415
DEPRECIATION					
At 1st January, 2008	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
Provided for the year	2,385	356	1,426	3,060	7,227
Eliminated on disposals	(7)	(99)	(253)	(1,009)	(1,368)
At 31st December, 2009	7,285	1,316	4,592	9,669	22,862
CARRYING VALUES					
At 31st December, 2009	13,136	96	1,554	7,767	22,553
At 31st December, 2008	13,277	425	2,672	9,332	25,706

The above items of property, plant and equipment are depreciated using the 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 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %
Plant and machinery and equipment	5% – 50%

The carrying value of motor vehicles includes an amount of HK\$284,000 (2008: HK\$197,000) in respect of asset held under a finance lease.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

14. GOODWILL

	HK\$'000
COST	
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	14,913
IMPAIRMENT	
At 1st January, 2008	3,200
Impairment loss recognised	3,200
At 31st December, 2008 and 31st December, 2009	6,400
CARRYING VALUES	
At 31st December, 2009	8,513
At 31st December, 2008	8,513

During 2008, the Group has recognised an impairment loss on goodwill amounting to HK\$3,200,000 in the consolidated statement of comprehensive income. 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.

Due to the effects caused by the rally in the economy and the increase in cold storage capacity, the Group has prepared its cash flow projections for the CGU during the year by increasing the projected revenue generated from the cold storage and related services. Based on the above cash flow projections, the recoverable amount of this CGU exceeded the carrying amount of goodwill at 31st December, 2009. No further impairment charge was necessary for current year.

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 (2008: 5-year period), and discount rate of 17% (2008: 15%). 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. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of CGU.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

15. INTEREST IN AN ASSOCIATE

	2009 HK\$'000	2008 HK\$'000
Cost of investment in an associate	–	2,000
Share of post-acquisition losses, net of dividends received	–	(1,827)
Less: Impairment	–	(173)
	–	–

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 issued 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.

The associate was deregistered on 28th August, 2009.

Summarised unaudited financial information in respect of the Group's associate for the year ended 31st December, 2008 set out below:

	2008 HK\$'000
Total assets	1,742
Total liabilities	2,146
Net liabilities	(404)
Group's share of associate's net assets	–
Revenue	–
Loss for the year	(334)
Group's share of associate's net loss	–

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

15. INTEREST IN AN ASSOCIATE (continued)

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

	1.1.2009 to 28.8.2009 HK\$'000	1.1.2008 to 31.12.2008 HK\$'000
Unrecognised share of loss associate for the period up to date of deregistration/the year	(1)	(53)
Accumulated unrecognised share of loss of associate	(134)	(133)

16. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	149,120	149,120
Less: Impairment	(60,200)	(60,200)
	88,920	88,920

The Group, 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 and accordingly, the investments are not classified as associate.

Richbo is principally engaged in investment holding and holds 57.14% (2008: 40%) effective interest in Fast Profit Investments Limited, which in turn holds 35% (2008: 50%) interest in a jointly controlled entities that have an interest in the hotel resort complex and hold 35% (2008: 100%) interest in a group that operates a hotel resort complex in Macau, the People's Republic of China (the "PRC"). As at 31st December, 2009, the Group, through its subsidiary and Richbo, held 6% (2008: 6%) effective interest in the hotel resort complex and held 6% (2008: 12%) effective interest in the hotel resort complex operation.

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

During the year ended 31st December, 2008, the Group recognised the impairment loss on available-for-sale investments amounting to HK\$48,600,000 in the consolidated statement of comprehensive income.

At 31st December, 2009, the Group re-assessed the recoverable amount of the available-for-sale investments taking into account the cash flow projections in respect of the hotel resort complex operation and the hotel resort complex based on the assumptions provided by the management of the jointly controlled entity and the carrying values of other assets and liabilities held by Fast Profit Investments Limited. The management of that jointly controlled entity has prepared strategic plans to revive the hotel resort complex operations by injecting new elements and renovation works on the four buildings, namely hotel building, casino building, leisure building and car parking building.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

16. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Based on the above cash flow projections and assumptions covering a 5-year period, discount rate of 16.9% (2008: 16.5%) and cash flows beyond 5-year period of a zero growth rate, its recoverable amount exceed the carrying amount of the available-for-sale investments. No further impairment loss on available-for-sale investments was required for current year.

At 31st December, 2009 and 2008, 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 issued capital held indirectly by the Company	Principal activity
Richbo	Incorporated	British Virgin Islands	Macau	Ordinary	40% (note)	Investment holding

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

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 end of the reporting period, and accordingly, the amounts are shown as non-current.

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. An adjustment of HK\$61,058,000 has been charged to the consolidated statement of comprehensive income.

During the year ended 31st December, 2009, the Group recognised interest income of HK\$4,579,000 (2008: HK\$8,774,000) at the effective interest rate of 8.5% (2008: 8.5%) per annum.

At 31st December, 2009, the Group re-assessed the future repayment schedule of the outstanding loans and considered that the repayment of the loans will remain to be in three yearly installments commencing from 2016 after taking into account the financial ability of the investees and the project development plan. No further adjustment on loans to an investee was required for current year.

The fair value of the loans to an investee at 31st December, 2009, estimated by the current market interest rate of 16.9% (2008: 16.5%) per annum was HK\$30,122,000 (2008: HK\$28,553,000).

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

18. INTERESTS IN JOINTLY 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.

For the year ended 31st December, 2009, the aggregate amount of assets, liabilities, income and profits recognised in the consolidated financial statements in relation to interests in jointly controlled operation are as follows:

	2009 HK\$'000	2008 HK\$'000
Assets	54	164
Liabilities	(73)	(85)
Income	2,034	1,647
Expenses	(1,788)	(1,383)

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK\$29,020,000 (2008: HK\$31,359,000) with an aged analysis by invoice dates as follows:

	2009 HK\$'000	2008 HK\$'000
0 – 30 days	13,873	13,623
31 – 60 days	10,012	10,956
61 – 90 days	5,135	4,833
91 – 120 days	–	1,402
More than 120 days	–	545
	29,020	31,359

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 related services. No interest is charged on any outstanding trade receivables.

Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Credit limits granted to customers are reviewed once a year.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$13,845,000 (2008: HK\$16,762,000) 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 end of the reporting period. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2008: 60 days).

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FOR THE YEAR ENDED 31ST DECEMBER, 2009

19. TRADE AND OTHER RECEIVABLES (continued)

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

	2009 HK\$'000	2008 HK\$'000
1 – 30 days	5,239	5,754
31 – 60 days	3,471	4,228
61 – 90 days	5,135	4,833
91 – 120 days	–	1,402
More than 120 days	–	545
	13,845	16,762

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

	2009 HK\$'000	2008 HK\$'000
At beginning of the year	649	156
Impairment losses recognised on receivables	–	493
Written back of impairment losses recognised on receivables	(493)	–
Amounts written off during the year	(19)	–
At end of the year	137	649

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 the end of the reporting period 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 0.52% (2008: 1.52%) per annum. The pledged deposits bears interest at average prevailing market interest rate of 1.13% (2008: 1.69%) per annum.

Pledged bank deposits have been pledged to secure the long-term operating lease commitment and are therefore classified as non-current assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

21. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$3,655,000 (2008: HK\$5,318,000) with an aged analysis as follows:

	2009 HK\$'000	2008 HK\$'000
0 – 30 days	2,724	3,288
31 – 60 days	836	1,645
61 – 90 days	95	383
91 – 120 days	–	2
	3,655	5,318

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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Within one year	72	89	58	88
In the second to fifth year inclusive	247	–	225	–
	319	89	283	88
Less: future finance charges	(36)	(1)		
Present value of lease obligations	283	88		
Less: Amount due for settlement within one year shown under current liabilities			(58)	(88)
Amount due for settlement after one year			225	–

The obligations under a finance lease represents the finance lease for a motor vehicle. The term of the new lease is for five years (2008: four years) at a fixed rate of 3% (2008: 2.5%) per annum and is secured by the lessor's charge over the leased asset.

Notes to the Consolidated Financial Statements

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23. PROMISSORY NOTES

	2009	2008
	HK\$'000	HK\$'000
The promissory notes are repayable as follows:		
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	6,414	9,291
	27,137	30,014
Less: Amounts due for settlement within one year shown under current liabilities	(4,762)	(4,762)
Amounts due for settlement after one year	22,375	25,252

The fair value of promissory notes at 31st December, 2009 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 14% (2008: 16%) per annum was HK\$22,422,000 (2008: HK\$22,539,000).

The major terms of the promissory notes are summarised below:

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

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

The fair value of the early repayment option of the promissory notes was considered as insignificant at the date of issue and at the end of the reporting period.

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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, 2008 and 31st December, 2008	5,000,000	50,000	4,168,000	41,680
Issue of new shares pursuant to placing and subscription arrangements (<i>note a</i>)	–	–	830,000	8,300
Share consolidation (<i>note b(i)</i>)	(4,000,000)	–	(3,998,400)	–
Capital reduction (<i>note b(ii)</i>)	–	(40,000)	–	(39,984)
Increase in authorised share capital (<i>note b(iii)</i>)	59,000,000	590,000	–	–
At 31st December, 2009	60,000,000	600,000	999,600	9,996

Note:

- (a) On 14th August, 2009, arrangements were made for a placement to independent private investors of 830,000,000 shares of HK\$0.01 each in the Company held by Ever Achieve Enterprises Limited (“Ever Achieve”), at a price of HK\$0.068 per share representing a discount of approximately 9.33% to the closing market price of the Company’s shares on 14th August, 2009.

Pursuant to a subscription agreement of the same date, Ever Achieve subscribed for 830,000,000 new shares of HK\$0.01 each in the Company at a price of HK\$0.068 per share. The proceeds were used to provide additional working capital for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 17th June, 2009 and rank pari passu with other shares in issue in all respects.

- (b) At a special general meeting of the Company held on 23rd November, 2009:
- (i) every five issued and unissued shares of HK\$0.01 each was consolidated into one consolidated share of HK\$0.05;
 - (ii) the nominal value of each issued consolidated share was reduced from HK\$0.05 to HK\$0.01 by reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.04 on each of the issued consolidated shares; and
 - (iii) immediately after the capital reorganisation becoming effective, the authorised share capital of the Company was increased from HK\$10,000,000 to HK\$600,000,000 by the creation of the 59,000,000,000 additional shares to rank pari passu with the existing shares in all aspects.

The share consolidation took effect on 24th November, 2009 and the capital reduction and the increase in authorised share capital took effect on 18th December, 2009.

Notes to the Consolidated Financial Statements

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25. SHARE OPTION SCHEME

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

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

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

For the year ended 31st December, 2008, 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. As a result of the capital reorganisation disclosed in note 24 to the consolidated financial statements, the maximum number of shares to be issued upon exercise of all option to be granted under the Scheme was adjusted from 300,000,000 Shares to 60,000,000 Shares.

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 end of the reporting period, 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 carrying amount with principal amount of HK\$27,998,000 (2008: HK\$27,998,000) is unsecured and interest-free and will not be demanded for repayment within twelve months from the end of the reporting period, and accordingly, the amount is shown as non-current.

During the year ended 31st December, 2009, the Group recognised interest expense of HK\$3,534,000 at the effective interest rate of 14.5% per annum.

As at 31st December, 2009, the Group agreed with the minority shareholder that the amount would not be repayable within twelve months from 31st December, 2009. The outstanding amount was therefore discounted to its fair value using the market interest rate of 13.6% per annum for one year, resulting in an adjustment of HK\$4,689,000 which has been credited to minority interest in 2009.

The fair value of the amount due to a minority shareholder of a subsidiary at 31st December, 2009 by using the market interest rate of 13.6% (2008: 16%) per annum was HK\$24,650,000 (2008: HK\$24,136,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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 initial 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.

As a result of the share consolidation disclosed in note 24 to the consolidated financial statements, the conversion price has been adjusted from HK\$0.116 to HK\$0.58 with effect from the close of business on 23rd November, 2009, being the business date immediately preceding the date on which the share consolidation became effective. Details of adjustment of the conversion price are set out in the Company's announcement dated 23rd November, 2009.

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% (2008: 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 the end of the reporting period.

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

	2009 HK\$'000	2008 HK\$'000
Carrying amount at beginning of the year	19,631	18,097
Interest charge	1,662	1,534
Carrying amount at end of the year	21,293	19,631

The fair value of the liability component of the convertible bonds at 31st December, 2009, determined based on the present value of the estimated future cash outflows discounted at an effective interest rate of 14% (2008: 16%) per annum for an equivalent non-convertible bonds at the end of the reporting period, was HK\$19,691,000 (2008: HK\$16,369,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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	Accelerated tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008	409	(1,377)	(968)
Credit (charge) for the year	414	(137)	277
Attributable to a change in tax rate	(23)	78	55
	<hr/>	<hr/>	<hr/>
At 31st December, 2008	800	(1,436)	(636)
(Charge) credit for the year	(36)	508	472
	<hr/>	<hr/>	<hr/>
At 31st December, 2009	764	(928)	(164)

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

At the end of the reporting period, the Group has unused tax losses of HK\$40,953,000 (2008: HK\$38,418,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK\$4,627,000 (2008: HK\$4,844,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$36,326,000 (2008: HK\$33,574,000) due to the unpredictability of future profit streams.

29. PLEDGE OF ASSETS

As at 31st December, 2009, bank facilities to the extent of HK\$3,500,000 (2008: HK\$3,500,000) of the Group were secured by bank deposits amounting to HK\$3,500,000 (2008: HK\$3,500,000). The amount utilised at 31st December, 2009 was approximately HK\$3,100,000 (2008: HK\$3,100,000).

As at 31st December, 2009, bank deposits of HK\$65,406,000 (2008: HK\$65,406,000) 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

31. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2009 HK\$'000	2008 HK\$'000
Within one year	66,256	66,101
In the second to fifth year inclusive	262,320	261,626
Over five years	73,582	138,989
	402,158	466,716

At 31st December, 2009, leases are negotiated for terms of fourteen years commenced from February 2005 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 adjusted in February 2011 based on market conditions and the relevant terms of the leases.

32. RETIREMENT BENEFITS SCHEMES

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

In addition to the mandatory contribution of 5% of the payroll costs (limited to HK\$1,000 per each employee), the Group voluntary contributes 1% to 5%, depends on the year of service of the employee, to the MPF Schemes.

Where there are employees who leave the MPF Schemes 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 statement of comprehensive income of HK\$1,697,000 (2008: HK\$1,336,000) represents contributions payable to the MPF Schemes, there were no forfeited contributions available to reduce future contributions at the end of the reporting period.

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 senior management, 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

34. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an 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. As at 31st December, 2009, the carrying amount of goodwill is HK\$8,513,000 (net of accumulated impairment loss of HK\$6,400,000). Details of the recoverable amount calculation are disclosed in note 14.

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 resort complex 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 resort complex 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. As at 31st December, 2009, the carrying amount of available-for-sale financial assets is HK\$88,920,000 (net of accumulated impairment loss of HK\$60,200,000) (2008: HK\$88,920,000).

Estimated adjustment on loans to an investee

Determining whether loans to an investee are adjusted requires management's best estimation on the expected repayment date of the loans. The directors of the Company considered the repayment of the loans will commence from 2016 onwards after taking into account the financial ability of the investee and the project development plan of the investee. Where the actual future cash flows from the investee are less than expected or the timing of expected cash flows is revised, a material adjustment on loans to an investee may arise. As at 31st December, 2009, the carrying amount of loans to an investee is HK\$58,444,000 (2008: HK\$53,866,000).

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 owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in consolidated statement of changes in equity.

The directors of the Company 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 2008.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK\$'000	2008 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	318,986	264,825
Available-for-sale financial assets	88,920	88,920
Financial liabilities		
At amortised cost	80,794	84,300

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, trade and other receivables, loans to an investee, pledged bank deposits, bank balances, convertible bond, trade and other payables, promissory notes and amount due to a minority shareholders of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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

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

Market risk

Foreign currency risk management

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

Interest rate risk management

The Group is not exposed to interest rate risk in relation to fixed-rate finance lease obligation, loans to an investee, the promissory notes, amount due to a minority interest of a subsidiary and convertible bonds.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

36. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk as 24% (2008: 25%) and 54% (2008: 55%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the cold storage and related 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 the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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 repayment schedule was not changed in 2009. In view of good net asset position of the investee, the directors of the Company consider that the default risks of the investee is not significant to the Group.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk management

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

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

	Weighted average 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
2009								
Non-interest bearing (note)	–	7,714	5,000	32,998	39,400	10,000	95,112	80,794
Finance lease obligation – fixed rate	3	36	36	72	175	–	319	283
		7,750	5,036	33,070	39,575	10,000	95,431	81,077
2008								
Non-interest bearing (note)	–	8,850	5,000	32,998	39,400	15,000	101,248	84,300
Finance lease obligation – fixed rate	2.5	76	13	–	–	–	89	88
		8,926	5,013	32,998	39,400	15,000	101,337	84,388

Note: The non-interest bearing portion included trade and other payables, convertible bonds, promissory notes and amount due to a minority shareholder of a subsidiary which are all interest-free and carried at amortised cost.

(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.

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.

Notes to the Consolidated Financial Statements

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37. PRINCIPAL SUBSIDIARIES

(i) Particulars of the principal subsidiaries at 31st December, 2009 and 2008 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 and related services
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 cold storage and related 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
Newton Luck Limited	British Virgin Islands	US\$1 Ordinary share	–	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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31ST DECEMBER, 2009

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:

	2009 HK\$'000	2008 HK\$'000
Contributed surplus (Note)	84,239	84,239
Retained profits	6,591	1,406
	90,830	85,645

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. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease arrangement in respect of assets with a total capital value at the inception of the lease of HK\$267,000 (2008: nil).

39. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31st December, 2009, the Group entered into the agreement with Winning Step Investment Limited ("Winning Step"), pursuant to which the Group agreed to sell and Winning Step agreed to purchase the Group's entire interest of Best Shining Limited ("Best Shining"), an indirect wholly-owned subsidiary of the Company at the consideration of HK\$20,000,000 (subject to adjustment). Details of the consideration are set out in the Company's announcement dated 11th February, 2010.

Best Shining is a company engaged in property investment in Hong Kong.

An increase in fair value of investment property of approximately HK\$3,600,000 was estimated as a result of the agreement.

Financial Summary

	Year ended 31st December,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	155,236	169,292	154,444	149,766	97,495
(Loss) Profit for the year	(6,455)	(109,826)	(16,916)	313	(73,450)

	As at 31st December,				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Total assets	473,616	423,443	537,183	580,772	340,284
Total liabilities	(86,206)	(89,294)	(93,208)	(176,943)	(25,578)
	387,410	334,149	443,975	403,829	314,706
Attributable to:					
Owners of the Company	382,719	334,147	443,973	403,827	314,706
Minority interests	4,691	2	2	2	–
	387,410	334,149	443,975	403,829	314,706

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