DAIDO

Stock Code 股份代號：00544

DAIDO GROUP LIMITED
大同集團有限公司

2010 Annual Report 年報

Contents

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 present the annual results of the Company for the financial year ended 31st December, 2010.

The Group recorded a net profit attributable to owners of the Company of approximately HK$2 million for the financial year, compared with a net loss of approximately HK$6 million in the previous year.

The year 2010 saw a fundamental turnaround in the macroeconomic front, which was conducive to the operating environment of business. The Group's operations benefited from this favourable business environment.

The overall performance of the Group's businesses in 2010 was encouraging as the global economy in general, and the Hong Kong economy in particular, recovered from the slump in the previous two years and gained further momentum.

Hong Kong's gross domestic production (GDP) growth accelerated to 6.8% for whole year 2010 after posting a 2.7% contraction in 2009. The robust economic growth boosted consumer confidence and therefore consumer expenditure, benefiting the Group's core business, the cold storage and related services, which provides services to importers and distributors of frozen foods. The Management's strategic move in converting some of our existing non-freezer compartments to freezer-storage facilities, which enjoy wider profit margins than non-freezer compartments, also helped.

The performance of the Group's investment in the hotel resort complex operation in Macau continued to improve, with the prospect remaining positive as Macau's booming inbound tourism continues to flourish.

Recently, the Group has diversified its core businesses into KTV operation in Beijing, China. It is believed that the KTV business in China has huge potential by riding on China's sustainable economic growth.

The Management will continue with their endeavour to create value for shareholders by exploring new business opportunities while prudently growing the Group's existing businesses.

Once again, on behalf of the Board of Directors, I would like to express my heartfelt gratitude to all of our clients and shareholders for their continued support. I wish also to thank our Management and the entire staff for their diligence and dedication.

FUNG WA KO
Chairman

Hong Kong,
25th March, 2011

Management Discussion and Analysis

OVERALL RESULTS

For the financial year ended 31st December, 2010, total revenue of the Group amounted to approximately HK$178 million, up approximately 15% when compared to approximately HK$155 million in the previous financial year.

Net profit attributable to owners of the Company was approximately HK$2 million, compared with a net loss of approximately HK$6 million in the previous year. The turnaround was mainly attributable to the growth in revenue and gross profit from the cold storage and related services business. Earnings per share was HK0.24 cents.

The overall results are in line with Management's expectations as envisaged in the interim report.

The Group is principally engaged in the operations of cold storage and related services, property investment, investment holding and operation of karaoke outlet ("KTV") in Mainland China.

BUSINESS REVIEW

Cold storage and related services

During the financial year, the Group's core business, the cold storage and related services operation, had an encouraging performance, thanks to favourable external factors as well as sound internal strategies.

The performance of this business segment benefited from the Management's strategic move of converting some non-freezer compartments to freezer compartments in terms of higher profit margins and a higher overall occupancy rate, as freezer compartments enjoyed stronger demand in general. The benefit from this strategic move has been increasing and reflected on the annual results after the completion of the conversion work in August 2009.

Meanwhile, demand for cold storage services in Hong Kong grew, driven by stronger demand for frozen food as the recovery in the global economy in general and in the Hong Kong economy in particular accelerated during the year, rebuilding consumer confidence which was damaged by the global financial tsunami erupted in 2008.

The Hong Kong economy staged a broad-based expansion in 2010, with the gross domestic product ("GDP") growing robustly by 6.8%, more than offsetting the 2.7% contraction in 2009, according to the data from the Census and Statistics Department ("C&SD").

Along with the economic recovery, Hong Kong's consumer confidence continued to build momentum, with the headline consumer confidence index ("CCI") hitting a two-year high of 103 points in the third quarter of 2010, driven by a more positive outlook for the job market, according to a Nielsen confidence report released in November 2010. Correspondently, the global consumer confidence also improved, reaching 93 points in the second quarter of 2010, the highest level since the third quarter of 2007, according to Nielsen's confidence reports.

Furthermore, due to the import policy implemented by the Chinese Government, the demand for cold storage from Hong Kong importers also grew.

According to the data from the C&SD, the total port cargo throughput had a year-on-year increase of 10.2% in 2010. The uptrend is likely to sustain due to the positive signs of local and global economic growth.

The Group's logistics services operation, which mainly serves our cold storage customers, also posted a positive growth during the year. As the existing capacity of cold storage is not enough to meet demand from all customers, the Group provided logistic services to cold storage customers by helping them for transferring of goods. This helped boosted the Group's overall profit margins in this business segment.

BUSINESS REVIEW (continued)

Cold storage and related services (continued)

The Group produces edible ice cubes for consumption purpose and industrial ice bars for construction use.

The ice cubes business remained stable, contributing positively to the Group's overall performance, with both the sales volume and the selling price posting increase as compared to the previous year.

The sales of industrial ice bars were a bit sluggish during the year as ice cubes have been increasingly used in construction works as well, curbing the demand for industrial ice bars and fueling competition in the sector.

Investments

For the Group's investments in Macau, the operating loss has narrowed down, thanks to the booming inbound tourism in the gambling enclave.

Visitor arrivals totaled approximately 24.97 million in 2010, increased by 14.8% year-on-year as compared with the approximately 21.76 million in 2009, according to data from the Macau Government Tourism Office ("MGTO").

Visitors from the Mainland China, who are one of the major client groups of our hotel, jumped 20.4% year-on-year to approximately 13.23 million in the year from approximately 10.99 million in 2009.

In a strategic move to improve the operating performance of the hotel resort and enhance its competitive advantage in the Macau hospitality industry, the hotel management undertook major renovation and reconstruction works on the hotel resort complex that houses its hotel, casino, amenities and car park. The renovation and reconstruction works are progressing smoothly.

PLEDGE OF ASSETS

As at 31st December, 2010, banking facilities to the extent of HK$3.5 million (2009: HK$3.5 million) of the Group were secured by the pledge of bank deposits amounting to HK$3.5 million (2009: HK$3.5 million). The amount utilised at 31st December, 2010 was approximately HK$3.1 million (2009: approximately HK$3.1 million).

As at 31st December, 2010, bank deposits of approximately HK$65 million (2009: 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, 2010, the Group had cash and bank balances of approximately HK$154 million (2009: approximately HK$161 million). The decrease was mainly due to the purchase of financial assets at fair value through profit or loss. The gearing ratio, measured as non-current borrowings over equity attributable to owners of the Company was approximately 11% as at 31st December, 2010 (2009: approximately 18%). The decrease was mainly due to the re-classification of convertible bonds from non-current liabilities to current liabilities as at 31st December, 2010.

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

Management Discussion and Analysis

SHARE CAPITAL STRUCTURE

As at 31st December, 2010, there was no change in the total issued share capital of the Company, HK$9,996,000 divided into 999,600,000 ordinary shares with a par value of HK$0.01 each, which is the same as those as at 31st December, 2009.

EMPLOYMENT AND REMUNERATION POLICY

As at 31st December, 2010, the total number of full time employees of the Group in Hong Kong was 271 (31st December, 2009: 279 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 subside for employees' benefit.

PROSPECTS

Looking ahead into the new financial year, the Management remains generally optimistic about the prospect for the Group's operations as the global economy in general has shaken off the negative impact of the global financial tsunami that struck the world in 2008, and is on course to full recovery; while the Hong Kong economy in particular has recouped all of its loss ground during the slump in 2008 and 2009.

The Group's core cold storage business will continue to benefit from increasingly growing demand for frozen foods, as the consumer confidence persistently strengthens along with improving conditions in the labour market and robust growth in the economy.

The Hong Kong economy is forecast to expand at a relatively strong pace of about 4%-5% in 2011, benefiting from the robust growth sustained by Mainland China and other Asian economies, the Hong Kong government said in its 2011-2012 Budget released in February 2011.

Hong Kong's unemployment rate fell further to 3.8% in the three-month period between November 2010 and January 2011, the lowest in more than two years, according to the data from the C&SD.

Nonetheless, the Management sees some challenges ahead particularly in terms of rising pressure on operating costs – including higher labour cost, higher oil prices and increases in rentals – which may weigh on the profit margins.

However, price adjustments for the cold storage and related services implemented in January 2011 have helped mitigate the pressure on profit margins.

The outlook for ice cubes and industrial ice bars for construction sector remains positive as construction works on a number of large-scale public infrastructure projects, including the Hong Kong-Zhuhai-Macau Bridge, the New Cruise Terminal at Kai Tak and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, have commenced and are expected to last several years. Meanwhile, the on-going boom in the property market will likely lead to acceleration in residential project development by developers, further boosting the demand for ice cubes and industrial ice bars.

However, stricter regulations on edible ice cubes to be implemented by the authority may entail additional investment for the company to upgrade its facilities. The Management will evaluate the economic benefit of such potential investment as well as the impact of the new regulations, which should be minimal – if any at all – as the edible ice cubes business only contribute an insignificant sum of the revenue from the cold storage and related services operation.

PROSPECTS (continued)

The Management also remains optimistic about the prospect for the Group's investment in the hotel resort operation in Macau as the inbound tourism in Macau continues to prosper, with more and more mainland visitors traveling to the city after the Chinese government implemented and enlarged its Individual Visit Scheme ("IVS"), which allows mainland residents to travel to Macau and Hong Kong on an individual basis without the need of joining a tour group. The IVS scheme was first introduced in four Guangdong cities on 28th July, 2003 and has expanded since implementation to 49 Mainland China cities.

In addition, the strategic move of changing part of the amenity building space to guest rooms will better serve gambling customers, and therefore will hopefully attract more customers.

Furthermore, the Management believes that the opening of Galaxy Entertainment Group's mega resort project, Galaxy Macau, in Macau's Cotai Strip in May 2011 will likely attract more visitors to the area, benefiting nearby businesses including Grand Waldo Hotel.

The Group has diversified its core businesses into KTV operation in Mainland China by setting up sino-foreign equity joint ventures in December 2010. The first KTV outlet will be opened in Beijing, China. The management believed that the operation of KTV business in Mainland China offers potential benefits to the Group and the shareholders as a whole.

For details on the lease of the first KTV outlet, please refer to the announcement of the Company dated 5th January, 2011.

In its pursuit of sustainable business growth, the Management will continue to providently explore potential investment opportunities while prudently operates the Group's existing businesses.

Directors of the Company

MR. FUNG WA KO, aged 49, 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 38, 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 47, 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 56, 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 45, 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 67, 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.

MR. LEUNG CHI HUNG, aged 55, joined the Group as an independent non-executive director of the Company in September 2003. He is also the chairman of audit committee and the member of nomination committee and remuneration committee of the Company respectively. Mr. Leung has commenced his accountancy professional training since 1976 and is now members of international accountancy bodies. He is a certified public accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited (formerly named as Arthur Mo & Co. Limited). Mr. Leung is also an independent non-executive director of Finet Group Limited and Temujin International Investments Limited, both companies listed on The Stock Exchange of Hong Kong Limited.

Directors of the Company

MR. TSE YUEN MING, aged 43, 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, namely the practising certificate-solicitor of Mr. Tse was subject to a special condition (the "Special Condition"), details of which was disclosed in the announcement of the Company dated 12th March, 2010. The Company received a notification from Mr. Tse that the Special Condition had been lapsed and the practising certificate-solicitor of Mr. Tse for the period from 1st January, 2011 to 31st December, 2011 is no longer subject to any condition.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rules 13.51B(1) and 13.51B(3) of the Listing Rules, other than those changes in directors' biographical details as set out on pages 8 to 9, as well as their emoluments as set out on page 49, 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, 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39(i) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2010 are set out in the consolidated statement of comprehensive income on page 27.

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 30.

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 25 to the consolidate financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2010 comprised contributed surplus of HK$84,239,000 (2009: HK$84,239,000) and retained profits of HK$11,599,000 (2009: HK$6,591,000).

Details of the Company's distributable reserves are set out in note 39(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 *(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

In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Tang Tsz Man, Philip, Mr. Fung Siu Kit, Ronny and Mr. Leung Chi Hung retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

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

INTERESTS OF DIRECTORS

As at 31st December, 2010, none of the directors, chief executives of the Company nor their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests, or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register kept by the Company; or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SHARE OPTION SCHEME

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

No share option was outstanding as at 1st January, 2010 and 31st December, 2010 and no share option was granted under the share option scheme during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

At 31st December, 2010, 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%
Yuen Kin Wing *(Note 1)*	Interest of controlled corporation	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%

INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

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

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

3. 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.

4. 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.

Save as disclosed above, as at 31st December, 2010, 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, 2010, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 51% of the Group's total turnover and the turnover attributable to the Group's largest customer accounted for approximately 21% of the Group's total turnover.

For the year ended 31st December, 2010, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 50% of the Group's total purchases and the purchase attributable to the Group's largest supplier accounted for approximately 22% 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 a beneficial 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 is 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 15 to 24.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2010.

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,
25th March, 2011

Corporate Governance Report

The board of directors (the "Board") believes that corporate governance is essential to the success of the Company and will bring long-term benefits to the Shareholders. For this reason, the Company is always committed to upholding high standards of corporate governance and has adopted a set of sound governance principles, practices and procedures, including the Internal Control Action Plan introduced in 2006 in order to systematically review the work procedures in different departments. The current practices will be reviewed and updated regularly to follow the latest practices in corporate governance.

The Company has also applied and complied with 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, 2010, except for the deviation as stated in paragraph headed "Appointment, Re-election and Removal".

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, 2010 and up to the date of this annual report were:

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

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

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

BOARD OF DIRECTORS (continued)

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 independent.

Role and Functions of the Board

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

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

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

Board Meetings and Board Practices

The Board meets at least four times regularly a year to review the financial and operating performance of the Group. Throughout the year, 8 board meetings were held. Details of the Directors' attendance are as follows:

	Attendance in regular meetings
Executive Directors	
Mr. Au Tat Wai *(Chief Executive Officer)*	8/8
Mr. Choy Kai Sing	8/8
Mr. Ho Hon Chung, Ivan	8/8
Mr. Tang Tsz Man, Philip	8/8
Non-executive Director	
Mr. Fung Wa Ko *(Chairman)*	8/8
Independent Non-executive Directors	
Mr. Fung Siu Kit, Ronny	6/8
Mr. Leung Chi Hung	8/8
Mr. Tse Yuen Ming	8/8

BOARD OF DIRECTORS (continued)

Board Meetings and Board Practices (continued)

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.

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 into 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 was no service contract entered into between the Non-executive Director of the Company, Mr. Fung Wa Ko, and the Company for a specific term of service, his appointment is subject to retirement by rotation and he will offer 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.

BOARD OF DIRECTORS (continued)

Appointment, Re-election and Removal (continued)

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.

Throughout the year ended 31st December, 2010, Mr. Fung Wa Ko has served as the Chairman of the Company and Mr. Au Tat Wai has acted as the Chief Executive Officer of the Company. 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 is responsible for providing leadership for the Board, and Mr. Au Tat Wai is responsible for all day-to-day corporate management matters. This segregation ensures a clear distinction between the Chairman's and the Chief Executive Officer's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

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 composition, the Nomination Committee considers a number of factors, including those set out in the CG Code.

In accordance with the Company's Bye-Laws, one-third of the Directors will retire from office at the Company's annual general meeting. In accordance with Bye-Law 87 of the Company's Bye-Laws, Mr. Tang Tsz Man, Philip, Mr. Fung Siu Kit, Ronny and Mr. Leung Chi Hung will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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

COMMITTEES OF THE BOARD (continued)

Nomination Committee (continued)

During the year ended 31st December, 2010, one Nomination Committee meeting was held to 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.

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 enables 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, 2010 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 26 to the consolidated financial statements.

COMMITTEES OF THE BOARD (continued)

Remuneration Committee (continued)

During the year ended 31st December, 2010, 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.

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, 2010, the Audit Committee had performed the following work:

1. reviewed the audited financial statements for the year ended 31st December, 2009 and the unaudited financial statements for the three months ended 31st March 2010, six months ended 30th June, 2010 and nine months ended 30th September, 2010;

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.

COMMITTEES OF THE BOARD (continued)

Audit Committee (continued)

At the meeting held on 23rd March, 2011, the Audit Committee reviewed the internal control report, the Directors' report and financial statements for the year ended 31st December, 2010 together with the annual results announcement, with a recommendation to the Board for approval.

Attendance Record at Board Committee Meetings

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

	Number of meetings attended/ Number of meetings held		
	Nomination Committee	**Remuneration Committee**	**Audit Committee**
Mr. Fung Siu Kit, Ronny	1/1	1/1	5/6
Mr. Leung Chi Hung	1/1	1/1	6/6
Mr. Tse Yuen Ming	1/1	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, 2010. 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 25.

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 contained in Appendix 10 to the Listing Rules (the "Securities Dealing Policy").

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

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

EXTERNAL AUDITORS AND THEIR REMUNERATION

The Group's external auditors are Deloitte Touche Tohmatsu for the year ended 31st December, 2010 and they will hold office until the conclusion of the forthcoming annual general meeting of the Company. The annual financial statements for the year ended 31st December, 2010 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, 2010, the external auditors of the Group provided the following services to the Group:

	2010	2009
	HK$'000	HK$'000
Audit services	**664**	654
Review on interim results	**190**	180
Other advisory services	**–**	35
Total:	**854**	869

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.

INTERNAL CONTROL AND RISK MANAGEMENT (continued)

In stage two, which 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, 2010, the Company has carried out the review in certain areas, including: new client account opening procedure, warehousing procedure, client ordering procedure and cash payment receiving procedure of cold storage department and logistics services department.

The results of review in warehousing procedure and cash payment receiving procedure were shown satisfactory. Nevertheless, in the review of the internal control effectiveness in other procedure of cold storage department, the deficiency findings were identified, such as insufficient control in setting a time-limit of temporary storage goods; and periodical review and updating client's record and status.

Furthermore, there is room for improvement for some key areas of logistics services department's internal control systems. It is recommended that areas of responsibility of each operational unit are clearly defined and systematic operation procedures are set up to avoid any deficiency.

Having conducted the test in the fixed assets purchase and disposal procedure in the first half of 2010, the Company also proceeded the retest in the same area in the second half of 2010. In addition, during the year ended 31st December, 2010, the Company has reviewed the bank balances and cash arrangement, bookkeeping and management account reporting in order to ensure the effectiveness of the accounting system and accuracy of accounting information. Those results of review were satisfactory.

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 for improvements of those control weaknesses will be properly followed up to ensure that they are implemented within a reasonable period of time.

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

The Company uses two-way communication channels to account to shareholders and investors for the performance of the Company. The Company values communication with shareholders and investors. Enquiries and suggestions from shareholders or investors are welcomed through the following channels to the Company Secretary:

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

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

3. By fax at fax number (852) 2666 0803; or

4. By email at irelations@daidohk.com.

The annual general meeting is the principal forum for formal dialogue with shareholders, where the Board is available to answer questions about specific resolutions being proposed at the meeting and also about the business of the Group. According to the CG Code requirement, the chairman of the Board should arrange for the chairmen of the Audit, Remuneration and Nomination Committees to answer the questions at the general meeting. The chairman of Remuneration and Nomination Committees had attended the annual general meeting held on 9th June, 2010 and the chairman of Audit Committee had appointed the Chairman of the Board as his representative to answer question at the annual general meeting.

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 HKExnews 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

Deloitte.
德勤

TO THE MEMBERS 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 27 to 74, which comprise the consolidated statement of financial position as at 31st December, 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 affairs of the Group as at 31st December, 2010, and of the Group's profit 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,
25th March, 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	4	**178,080**	155,236
Direct costs		**(153,338)**	(137,829)
Gross profit		**24,742**	17,407
Other income	5	**6,840**	6,194
Selling and distribution expenses		**(4,438)**	(3,927)
Administrative expenses		**(20,657)**	(20,134)
Change in fair value of investment properties	12	**3,100**	900
Finance costs	6	**(7,104)**	(7,333)
Profit (loss) before tax		**2,483**	(6,893)
Income tax	7	**(80)**	438
Profit (loss) for the year and total comprehensive income (expense) attributable to owners of the Company	8	**2,403**	(6,455)
Earnings (loss) per share – basic and diluted	11	**HK 0.24 cents**	HK(0.72) cent

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Investment properties	12	–	16,400
Property, plant and equipment	13	20,689	22,553
Goodwill	14	8,513	8,513
Available-for-sale investments	15	88,920	88,920
Loans to an investee	16	63,412	58,444
Financial assets at fair value through profit or loss	17	7,767	–
Prepayment for acquisition of property, plant and equipment		70	256
Rental deposits paid		16,352	16,352
Pledged bank deposits	20 & 30	68,906	68,906
		274,629	280,344
CURRENT ASSETS			
Trade and other receivables	19	41,528	32,585
Bank balances and cash	20	153,561	160,687
		195,089	193,272
Assets classified as held for sale	21	19,500	–
		214,589	193,272
CURRENT LIABILITIES			
Trade and other payables	22	23,254	12,595
Tax payable		39	84
Obligations under finance leases	23	148	58
Convertible bonds	28	23,096	–
Promissory notes	24	4,762	4,762
		51,299	17,499
NET CURRENT ASSETS		163,290	175,773
TOTAL ASSETS LESS CURRENT LIABILITIES		437,919	456,117

Consolidated Statement of Financial Position

AT 31ST DECEMBER, 2010

	Notes	2010 HK$'000	2009 HK$'000
CAPITAL AND RESERVES			
Share capital	25	**9,996**	9,996
Reserves		**375,126**	372,723
Equity attributable to owners of the Company		**385,122**	382,719
Non-controlling interests		**8,120**	4,691
		393,242	387,410
NON-CURRENT LIABILITIES			
Obligations under finance leases	23	**471**	225
Amount due to non-controlling interests of a subsidiary	27	**24,594**	24,650
Convertible bonds	28	**–**	21,293
Promissory notes	24	**19,284**	22,375
Deferred tax liabilities	29	**328**	164
		44,677	68,707
		437,919	456,117

The consolidated financial statements on pages 27 to 74 were approved and authorised for issue by the Board of Directors on 25th March, 2011 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, 2010

	Attributable to owners of the Company							
	Share capital	Share premium	Capital reserve	Retained profits	Convertible bond equity reserve	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2009	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 non-controlling interests 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
Profit for the year and total comprehensive income	–	–	–	2,403	–	2,403	–	2,403
Deemed contribution on interest-free advance from non-controlling interests of a subsidiary	–	–	–	–	–	–	3,429	3,429
At 31st December, 2010	9,996	172,770	39,984	154,225	8,147	385,122	8,120	393,242

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Notes	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit (loss) before tax		**2,483**	(6,893)
Adjustments for:			
Written back of allowance for trade receivables		**–**	(493)
Depreciation		**6,215**	7,227
Finance costs		**7,104**	7,333
Gain on disposal of property, plant and equipment		**(236)**	(127)
Interest income		**(5,987)**	(5,864)
Change in fair value of investment properties		**(3,100)**	(900)
Operating cash flows before movements in working capital		**6,479**	283
Decrease in inventories		**–**	53
(Increase) decrease in trade and other receivables		**(6,663)**	2,902
Increase (decrease) in trade and other payables		**3,663**	(525)
Net cash generated from operations		**3,479**	2,713
Hong Kong Profits Tax refunded		**39**	267
NET CASH FROM OPERATING ACTIVITIES		**3,518**	2,980
INVESTING ACTIVITIES			
Interest received		**1,019**	1,285
Purchase of property, plant and equipment		**(3,630)**	(2,426)
Prepayment for acquisition of property, plant and equipment		**(70)**	(256)
Proceeds from disposal of property, plant and equipment		**265**	174
Purchase of financial assets at fair value through profit or loss		**(7,767)**	–
Acquisition of a subsidiary	33	**4,622**	–
NET CASH USED IN INVESTING ACTIVITIES		**(5,561)**	(1,223)
FINANCING ACTIVITIES			
Repayment of promissory notes		**(5,000)**	(5,000)
Interest paid		**(19)**	(13)
Repayment of obligations under a finance lease		**(64)**	(92)
Proceeds from issue of new shares		**–**	56,440
Transaction costs attributable to issue of new shares		**–**	(1,413)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(5,083)**	49,922
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(7,126)**	51,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**160,687**	109,008
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**153,561**	160,687

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, investment holding and operation of karaoke outlet in Mainland China.

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 and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HKFRS 3 (as revised in 2008) Business Combinations and HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) "Business combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and separate financial statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

The application of the other new and revised Standards and Interpretations in the current year has had no material effect on the consolidated financial statements.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st July, 2010
3 Effective for annual periods beginning on or after 1st July, 2011
4 Effective for annual periods beginning on or after 1st January, 2013
5 Effective for annual periods beginning on or after 1st January, 2012
6 Effective for annual periods beginning on or after 1st January, 2011
7 Effective for annual periods beginning on or after 1st February, 2010

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013 and that the application of the new Standard will affect the classification and measurement of the Group's available-for-sale investments and have potential impact on financial assets at FVTPL. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

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

The amendments to HKAS 12 titled *Deferred Tax: Recovery of Underlying Assets* mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property*. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 will not have a significant impact on deferred tax recognised for investment properties that are measured using the fair value model. As the investment properties are classified as assets held for sale as at 31st December, 2010, the deferred tax liabilities have been determined based on the fact that the investment properties will be recovered through sale subsequent to the end of reporting date.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and designated financial assets at FVTPL, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combination that took place prior to 1st January, 2010

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 relevant conditions for recognition where generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

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 combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, 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 in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Investment properties that are classified as held for sale are measured at their fair value at the end of the reporting period.

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 the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

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 financial assets at fair value through profit or loss ("FVTPL"), 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.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are those designated as at FVTPL on initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated or not classified as financial assets at fair value through profit or loss, held-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 other than those at FVTPL, 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 affected.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Convertible bonds (continued)

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 non-controlling interests 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses 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 Group's reportable segment under HKFRS 8 is reported below.

4. REVENUE AND SEGMENT INFORMATION (continued)

Segments revenues and results

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

	2010 HK$'000	2009 HK$'000
REVENUE FOR COLD STORAGE AND RELATED SERVICES	**178,080**	155,236
SEGMENT RESULT FOR COLD STORAGE AND RELATED SERVICES	**9,277**	3,072
Unallocated income	**6,422**	5,864
Unallocated expenses	**(9,212)**	(9,396)
Change in fair value of investment properties	**3,100**	900
Finance costs	**(7,104)**	(7,333)
Profit (loss) before tax	**2,483**	(6,893)

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, sundry income, central administration costs including auditor's remuneration, directors' remuneration, change in fair value of investment properties 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:

	2010 HK$'000	2009 HK$'000
ASSETS		
Segment assets for cold storage and related services	**80,919**	78,026
Unallocated assets	**408,299**	395,590
Consolidated assets	**489,218**	473,616
LIABILITIES		
Segment liabilities for cold storage and related services	**14,425**	11,257
Unallocated liabilities	**81,551**	74,949
Consolidated liabilities	**95,976**	86,206

4. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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, financial assets at fair value through profit or loss, pledged bank deposits, bank balances and cash, certain property, plant and equipment and certain other receivables. Goodwill is allocated to cold storage and related services as described in note 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 non-controlling interests of a subsidiary, convertible bonds and certain other payables.

Other segment information

	Cold storage and related services	
	2010	2009
	HK$'000	HK$'000
Amounts included in the measure of segment profit or loss or segment assets:		
Additions to non-current assets excluding financial instruments	**4,222**	3,822
Depreciation	**5,981**	7,025
Gain on disposal of property, plant and equipment	**(236)**	(127)
Written back of allowance for trade receivables	**–**	(493)

	Unallocated	
	2010	2009
	HK$'000	HK$'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	**(5,987)**	(5,864)
Interest expense	**7,104**	7,333
Tax charge (credit)	**80**	(438)
Change in fair value of investment properties	**(3,100)**	(900)

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.

Most of 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:

	2010	2009
	HK$'000	HK$'000
Cold storage and logistic services	**174,143**	152,063
Manufacturing and trading of ice	**3,937**	3,173
	178,080	155,236

Information about major customers

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

	2010	2009
	HK$'000	HK$'000
Customer A	**37,665**	31,922
Customer B	**25,153**	21,727

5. OTHER INCOME

	2010	2009
	HK$'000	HK$'000
Bank interest income	**1,019**	1,285
Imputed interest income from loans to an investee	**4,968**	4,579
Gain on disposal of property, plant and equipment	**236**	127
Sundry income	**617**	203
	6,840	6,194

6. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on obligations under finance leases	**19**	13
Imputed interest expense on amount due to non-controlling interests of a subsidiary	**3,373**	3,534
Imputed interest expense on convertible bonds	**1,803**	1,662
Imputed interest expense on promissory notes	**1,909**	2,124
	7,104	7,333

7. INCOME TAX

	2010 HK$'000	2009 HK$'000
The tax charge (credit) comprises:		
Hong Kong Profits Tax		
Current year	**–**	59
Overprovision in prior years	**(84)**	(25)
Deferred tax *(note 29)*		
Current year	**164**	(472)
Tax charge (credit)	**80**	(438)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

7. INCOME TAX (continued)

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

	2010	2009
	HK$'000	HK$'000
Profit (loss) before tax	**2,483**	(6,893)
Tax at the Hong Kong Profits Tax rate of 16.5%	**410**	(1,137)
Tax effect of expenses not deductible for tax purpose	**1,197**	1,266
Tax effect of income not taxable for tax purpose	**(1,498)**	(967)
Tax effect of tax losses not recognised	**171**	454
Tax effect of temporary differences not recognised	**105**	–
Utilisation of tax losses previously not recognised	**(242)**	–
Overprovision in respect of prior years	**(84)**	(25)
Others	**21**	(29)
Tax charge (credit) for the year	**80**	(438)

8. PROFIT (LOSS) FOR THE YEAR

	2010	2009
	HK$'000	HK$'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Written back of allowance for trade receivables	**–**	(493)
Auditor's remuneration	**664**	654
Cost of inventories sold	**–**	54
Depreciation for property, plant and equipment	**6,215**	7,227
Minimum lease payments for operating leases in respect of rented premises	**66,220**	66,220
Gross rental income from investment properties	**(435)**	–
Less: Direct expense from investment properties	**110**	517
	(325)	517
Total staff costs (including directors' emoluments)	**45,256**	42,237

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$'000	2010 HK$'000
Fees	**655**	**120**	**90**	**90**	**–**	**72**	**80**	**132**	**132**	**1,371**
Other emoluments										
Salaries and other benefits	**65**	**–**	**–**	**–**	**–**	**715**	**–**	**884**	**980**	**2,644**
Contributions to retirement benefits scheme	**–**	**4**	**–**	**–**	**–**	**29**	**–**	**73**	**16**	**122**
Total emoluments	**720**	**124**	**90**	**90**	**–**	**816**	**80**	**1,089**	**1,128**	**4,137**

	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

No directors waived any emoluments in the year ended 31st December, 2010 and 2009.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Four (2009: three) out of the five highest paid individuals of the Group were directors of the Company (see above tables for details). None (2009: two) of which were employees for part of the year and their emoluments as employees, together with the one (2009: two) remaining highest paid individuals were included in the following:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**578**	2,276
Contribution to retirement benefits scheme	**12**	71
	590	2,347

Their emoluments were within the following band:

	2010 Number of employees	2009 Number of employees
Nil to HK$1,000,000	**1**	4

10. DIVIDEND

No interim dividend is paid during the year (2009: nil).

The directors do not recommend the payment of a dividend for the year (2009: nil).

11. EARNINGS (LOSS) PER SHARE

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

	2010	2009
	HK$'000	HK$'000
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	**2,403**	(6,455)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**999,600**	892,723

The weighted average number of ordinary shares for 2009 has been adjusted for share consolidation as disclosed in note 25 to the consolidated financial statements.

The computation of diluted earnings/loss per share for 2009 and 2010 does not assume the conversion of outstanding convertible bonds since their conversion would result in an increase/a decrease in earnings/loss per share.

12. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2009	15,500
Increase in fair value recognised in profit or loss	900
At 31st December, 2009	16,400
Increase in fair value recognised in profit or loss	3,100
Reclassified as held for sale *(Note 21)*	(19,500)
At 31st December, 2010	–

The fair value of the Group's investment properties at 31st December, 2010 and 31st December, 2009 have been arrived at based on a valuation carried out by Asset Appraisal Limited, which are independent firms 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 were vacant. In February 2010, the Group entered into a sale and purchase agreement to dispose of the investment properties and leased to the buyer until the date of disposal which is expected in May 2011. Therefore, the investment properties were included in assets classified as held for sale as at 31st December, 2010. Details are disclosed in note 21.

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, 2009	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
Additions	–	212	1,226	2,848	4,286
Acquired on acquisition of a subsidiary	–	94	–	–	94
Disposals	(38)	(199)	(483)	(649)	(1,369)
At 31st December, 2010	20,383	1,519	6,889	19,635	48,426
DEPRECIATION					
At 1st January, 2009	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
Provided for the year	2,422	218	1,052	2,523	6,215
Eliminated on disposals	(37)	(178)	(475)	(650)	(1,340)
At 31st December, 2010	9,670	1,356	5,169	11,542	27,737
CARRYING VALUES					
At 31st December, 2010	10,713	163	1,720	8,093	20,689
At 31st December, 2009	13,136	96	1,554	7,767	22,553

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% – $33^1/_3$%
Motor vehicles	20% – $33^1/_3$%
Plant and machinery and equipment	5% – 50%

The carrying value of motor vehicles includes an amount of HK$618,000 (2009: HK$284,000) in respect of assets held under finance leases.

14. GOODWILL

	HK$'000
COST	
At 1st January, 2009, 31st December, 2009 and 31st December, 2010	14,913
IMPAIRMENT	
At 1st January, 2009, 31st December, 2009 and 31st December, 2010	6,400
CARRYING VALUES	
At 31st December, 2009 and 2010	8,513

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 in 2009 and 2010, the Group has prepared its cash flow projections for the CGU 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 and 2010. No impairment charge was necessary for both years.

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 (2009: 5-year period), and discount rate of 17% (2009: 17%). 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.

15. AVAILABLE-FOR-SALE INVESTMENTS

	2010	2009
	HK$'000	HK$'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 and participate in the financial and operating decision of Richbo because the Group has no right to nominate any director to the board of Richbo and accordingly, the investments are not classified as associate.

15. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Richbo is principally engaged in investment holding and holds 100% (2009: 57.14%) effective interest in Fast Profit Investments Limited, which in turn holds 20% (2009: 35%) interest in a jointly controlled entity that have an interest in hotel resort complex and hold 20% (2009: 35%) interest in a group that operates a hotel resort complex in Macau, the People's Republic of China (the "PRC"). As at 31st December, 2010, the Group, through its subsidiary and Richbo, held 6% (2009: 6%) effective interest in the hotel resort complex and held 6% (2009: 6%) effective interest in the hotel resort complex operation.

The investments are 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.

At 31st December, 2010 and 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 that are unique to Macau.

Based on the above cash flow projections and assumptions covering a 5-year period, discount rate of 16.8% (2009: 16.9%) 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 impairment loss on available-for-sale investments was required for both years.

At 31st December, 2010 and 2009, 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.

16. 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 profit or loss in 2008.

During the year ended 31st December, 2010, the Group recognised interest income of HK$4,968,000 (2009: HK$4,579,000) at the effective interest rate of 8.5% (2009: 8.5%) per annum.

At 31st December, 2009 and 2010, 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 2009 and 2010.

The fair value of the loans to an investee at 31st December, 2010, estimated by the current market interest rate of 16.8% (2009: 16.9%) per annum was HK$38,162,000 (2009: HK$30,122,000).

The credit risk on loans to an investee is mentioned in note 38(b).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss is analysed as:

	2010	2009
	HK$'000	HK$'000
United States Dollars ("USD") foreign exchange linked note, at fair value	**7,767**	–

During the year, the Group entered into a five-year USD foreign exchange linked note ("Note") with a bank amounting to USD1 million ("notional amount"). The Note contains an annual coupon of 2.12%. In addition, upon the maturity date, the Company will receive the principal of USD1 million plus an additional payment. If Renminbi ("RMB") appreciates over the 60 month-on-month periods, the Company will be entitled to an additional payment equal to 25% of notional amount at maximum. If RMB keeps depreciating on month-on-month basis, the Company will receive less than this amount or no additional payment.

No fair value change is recognised in profit or loss during the year.

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.

On 31st July, 2010, the joint venture agreement was terminated. All assets and liabilities held under the joint venture was transferred to the Group thereafter. For the year ended 31st December, 2010, 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:

	2010	2009
	HK$'000	HK$'000
Assets	**–**	54
Liabilities	**–**	(73)
Income	**633**	2,034
Expenses	**(723)**	(1,788)

19. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowances) of HK$33,521,000 (2009: HK$29,020,000) and amount due from non-controlling interest of a subsidiary of HK$2,368,000 (2009: Nil). The amount due from non-controlling interest is unsecured, interest free and repayable on demand.

The aged analysis of trade receivables by invoice dates are as follows:

	2010	2009
	HK$'000	HK$'000
0 – 30 days	**15,276**	13,873
31 – 60 days	**11,936**	10,012
61 – 90 days	**6,299**	5,135
91 – 120 days	**7**	–
More than 120 days	**3**	–
	33,521	29,020

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

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

19. TRADE AND OTHER RECEIVABLES (continued)

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$15,853,000 (2009: HK$13,845,000) 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 (2009: 60 days).

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

	2010 HK$'000	2009 HK$'000
1 – 30 days	**13,020**	5,239
31 – 60 days	**2,640**	3,471
61 – 90 days	**193**	5,135
	15,853	13,845

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

	2010 HK$'000	2009 HK$'000
At beginning of the year	**137**	649
Written back of impairment losses recognised on receivables	**–**	(493)
Amounts written off during the year	**(117)**	(19)
At end of the year	**20**	137

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 0.69% (2009: 0.52%) per annum. The pledged bank deposits bears interest at average prevailing market interest rate of 1.60% (2009: 1.33%) per annum.

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

21. ASSETS CLASSIFIED AS HELD FOR SALE

In February 2010, the Group entered into a sale and purchase agreement to dispose of its entire interest in a subsidiary of which the major assets are the investment properties with carrying amount of HK$19,500,000 as at 31st December, 2010 at the consideration of HK$20,000,000 (subject to adjustment). The expected date of completion was 10th February, 2011.

Subsequent to year ended 31st December, 2010, the Group entered into a supplemental agreement to dispose only the investment properties of the subsidiary at a consideration of HK$20,000,000. Due to unexpected internal circumstances of the buyer, the date of completion of disposal is extended from 10th February, 2011 to 31st May, 2011.

22. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$5,218,000 (2009: HK$3,655,000) and amount due to non-controlling interest of a subsidiary of HK$6,958,000 (2009: Nil). The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

The aged analysis presented based on the invoice date are as follows:

	2010	2009
	HK$'000	HK$'000
0 – 30 days	**3,646**	2,724
31 – 60 days	**1,487**	836
61 – 90 days	**85**	95
	5,218	3,655

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

23. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payment		Present value of minimum lease payment	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**193**	72	**148**	58
In the second to fifth year inclusive	**525**	247	**471**	225
	718	319	**619**	283
Less: future finance charges	**(99)**	(36)		
Present value of lease obligations	**619**	283		
Less: Amount due for settlement within one year shown under current liabilities			**(148)**	**(58)**
Amount due for settlement after one year			**471**	**225**

The obligations under finance leases represent the finance leases for two motor vehicles. The term of the leases ranges from four to five years (2009: five years) at a fixed rate of 3% to 5% (2009: 3%) per annum. The obligations are secured by the lessor's charge over the leased assets.

24. PROMISSORY NOTES

	2010 HK$'000	2009 HK$'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	**11,531**	11,530
Over five years	**3,322**	6,414
	24,046	27,137
Less: Amounts due for settlement within one year shown under current liabilities	**(4,762)**	(4,762)
Amounts due for settlement after one year	**19,284**	22,375

The fair value of promissory notes at 31st December, 2010 determined based on the present value of the estimated future cash outflow discounted at the current market interest rate of 13.9% (2009: 14%) per annum was HK$20,147,000 (2009: HK$22,422,000).

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.

25. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000	'000	HK$'000
Ordinary shares of HK$0.01 each				
At 1st January, 2009	5,000,000	50,000	4,168,000	41,680
Issue of new shares pursuant to placing and subscription arrangements *(note a)*	–	–	830,000	8,300
Share consolidation *(note b(i))*	(4,000,000)	–	(3,998,400)	–
Capital reduction *(note b(ii))*	–	(40,000)	–	(39,984)
Increase in authorised share capital *(note b(iii))*	59,000,000	590,000	–	–
At 31st December, 2009 and 2010	60,000,000	600,000	999,600	9,996

Notes:

(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 share; 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 respect.

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.

26. SHARE OPTION SCHEMES

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

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

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

The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Company) to be granted under the Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the limit. The Scheme Mandate Limit (as defined below) under the Scheme was refreshed and renewed by an ordinary resolution passed by the shareholders at an annual general meeting held on 9th June, 2010 which enabled the grant of further share options to subscribe up to 99,960,000 Shares (the "Scheme Mandate Limit"), representing 10% of the Shares in issue as at the said date and the date of this report.

The Company may seek approval of its shareholders in general meeting to refresh the Scheme Mandate Limit subject to requirements under Chapter 17 of the Listing Rules provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the limit. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time.

As at the end of the reporting period, no share options have been granted by the Company since the adoption of the Scheme.

27. AMOUNT DUE TO NON-CONTROLLING INTERESTS OF A SUBSIDIARY

The carrying amount with principal amount of HK$27,998,000 (2009: 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, 2010, the Group recognised interest expense of HK$3,373,000 (2009: HK$3,534,000) at the effective interest rate of 13.7% (2009: 14.5%) per annum.

As at 31st December, 2010, the Group agreed with the non-controlling interests of a subsidiary that the amount would not be repayable within twelve months from 31st December, 2010. The outstanding amount was therefore discounted to its fair value using the market interest rate of 13.8% (2009: 13.6%) per annum for one year, resulting in an adjustment of HK$3,429,000 (2009: HK$4,689,000) which has been credited to non-controlling interests in 2010.

The fair value of the amount due to non-controlling interests of a subsidiary at 31st December, 2010 by using the market interest rate of 13.8% (2009: 13.6%) per annum was HK$24,594,000 (2009: HK$24,650,000).

28. CONVERTIBLE BONDS

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

The convertible bonds contain a fixed term of five years from the date of issue. Unless previously redeemed, converted or cancelled as provided in the agreement pursuant to which the convertible bonds were issued, the Company can redeem the outstanding principal amount of the convertible bonds in whole or in part at redemption premium of 5% of the amount to be redeemed by giving a prior ten business days' written notice to the convertible bonds holders, at any time commencing from the issue date of the bonds and prior to the maturity date. The 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 25 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 consolidated 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% (2009: 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.

28. CONVERTIBLE BONDS (continued)

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

	2010 **HK$'000**	2009 HK$'000
Carrying amount at beginning of the year	**21,293**	19,631
Interest charge	**1,803**	1,662
Carrying amount at end of the year	**23,096**	21,293

Since the liability component of the convertible bonds will be settled within one year, the carrying amount of HK$23,096,000 is classified as current liabilities as at 31st December, 2010.

The fair value of the liability component of the convertible bonds at 31st December, 2010, determined based on the present value of the estimated future cash outflows discounted at an effective interest rate of 13.9% (2009: 14%) per annum for an equivalent non-convertible bonds at the end of the reporting period, was HK$22,321,000 (2009: HK$19,691,000).

29. DEFERRED TAX LIABILITIES

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

	Tax losses HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January, 2009	800	(1,436)	(636)
(Charge) credit for the year	(36)	508	472
At 31st December, 2009	764	(928)	(164)
Charge for the year	(77)	(87)	(164)
At 31st December, 2010	687	(1,015)	(328)

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$40,059,000 (2009: HK$40,953,000) available for offset against future profits. A deferred tax has been recognised in respect of tax losses of HK$4,164,000 (2009: HK$4,627,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$35,895,000 (2009: HK$36,326,000) due to the unpredictability of future profit streams.

30. PLEDGE OF ASSETS

As at 31st December, 2010, bank facilities to the extent of HK$3,500,000 (2009: HK$3,500,000) of the Group were secured by bank deposits amounting to HK$3,500,000 (2009: HK$3,500,000). The amount utilised at 31st December, 2010 was approximately HK$3,100,000 (2009: approximately HK$3,100,000).

As at 31st December, 2010, bank deposits of HK$65,406,000 (2009: 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.

31. 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.

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2010	2009
	HK$'000	HK$'000
Within one year	**67,971**	66,256
In the second to fifth year inclusive	**271,908**	262,320
Over five years	**19,797**	73,582
	359,676	402,158

Included in the above, the major lease contract is negotiated for terms of fourteen years commencing from February 2005 and can be terminated by providing one year notice after the first ten years of tenancy. The above commitment is based on existing rentals for the year ended 31 December, 2010. Monthly rentals are fixed up to February 2011 and rentals subsequent to February 2011 will be adjusted based on market conditions and the relevant terms of the leases. The above commitment is based on the existing rentals for the remaining lease terms as the revised rentals is still under negotiation between the Group and the lessor.

33. ACQUISITION OF A SUBSIDIARY

On 21st December, 2010, the Group acquired 99% of the registered capital of a company incorporated in Shenzhen, the PRC for consideration of RMB1. The transaction is acquisition of asset and liabilities through acquisition of a subsidiary. The subsidiary was acquired for the operation of karaoke business in the PRC in the future.

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	94
Other receivables	2,280
Bank balances and cash	4,622
Other payables	(6,996)
	–
Net cash inflow on acquisition	4,622

34. RETIREMENT BENEFITS SCHEMES

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

In addition to the mandatory contribution of 5% of the payroll costs (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 scheme.

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

The total cost charged to the consolidated statement of comprehensive income of HK$1,923,000 (2009: HK$1,697,000) represents contributions payable to the MPF Scheme, there were HK$6,000 (2009: nil) forfeited contributions available to reduce future contributions at the end of the reporting period.

35. 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.

36. 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, 2010, 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, 2010, the carrying amount of available-for-sale financial assets is HK$88,920,000 (2009: HK$88,920,000) (net of accumulated impairment loss of HK$60,200,000) (2009: HK$60,200,000).

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, 2010, the carrying amount of loans to an investee is HK$63,412,000 (2009: HK$58,444,000).

37. 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 non-controlling interests of a subsidiary and convertible bonds disclosed in notes 24, 27 and 28 respectively and equity attributable to owners of the Company, comprising issued capital, reserves and retained profit 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 2009.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2010	2009
	HK$'000	HK$'000
Financial assets		
Fair value through profit or loss (FVTPL)	**7,767**	–
Loans and receivables (including cash and cash equivalents)	**324,051**	318,986
Available-for-sale financial assets	**88,920**	88,920
Financial liabilities		
At amortised cost	**88,283**	80,794

38. FINANCIAL INSTRUMENTS (continued)

(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, financial assets at fair value through profit or loss, pledged bank deposits, bank balances, convertible bonds, trade and other payables, promissory notes and amount due to non-controlling interests 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.

Since Hong Kong dollars are pegged to United States dollars, sensitivity analysis of the financial assets at fair value through profit or loss denominated in United States dollars has not been presented as the impact of the fluctuation of United States dollars against Hong Kong dollars is insignificant.

Interest rate risk management

The Group is exposed to interest rate risk in relation to fixed-rate finance lease obligations, loans to an investee, the promissory notes, amount due to non-controlling interests 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.

38. FINANCIAL INSTRUMENTS (continued)

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

Credit risk management

As at 31st December, 2010, 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 27% (2009: 24%) and 57.84% (2009: 54%) 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 16. At 31st December, 2010, 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 2010. 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 and financial assets at FVTPL are limited because the counterparties are banks with good reputation.

38. 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	6– 12 months or less	1-2 years	2-5 years	Over 5 years	Total undiscounted cash flows amount	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2010								
Non-interest bearing		**16,547**	**–**	**–**	**–**	**–**	**16,547**	**16,547**
Finance lease obligation – fixed rate	**4**	**96**	**96**	**193**	**333**	**–**	**718**	**619**
Promissory note	**7.5**	**–**	**5,000**	**5,000**	**15,000**	**5,000**	**30,000**	**24,046**
Convertible bond	**8.5**	**–**	**24,400**	**–**	**–**	**–**	**24,400**	**23,096**
Amount due to non-controlling interests of a subsidiary	**13.7**	**–**	**–**	**27,998**	**–**	**–**	**27,998**	**24,594**
		16,643	**29,496**	**33,191**	**15,333**	**5,000**	**99,663**	**88,902**
2009								
Non-interest bearing		7,714	–	–	–	–	7,714	7,714
Finance lease obligation – fixed rate	3	36	36	72	175	–	319	283
Promissory note	7.5	–	5,000	5,000	15,000	10,000	35,000	27,137
Convertible bond	8.5	–	–	24,400	–	–	24,400	21,293
Amount due to non-controlling interests of a subsidiary	14.5	–	–	27,998	–	–	27,998	24,650
		7,750	5,036	57,470	15,175	10,000	95,431	81,077

38. FINANCIAL INSTRUMENTS (continued)

(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.

The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss	**–**	**7,767**	**–**	**7,767**
Amount due to non-controlling interests of a subsidiary	**–**	**(24,594)**	**–**	**(24,594)**

	2009			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Amount due to non-controlling interests of a subsidiary	–	(24,650)	–	(24,650)

Other than set out in notes 16, 17, 24, 27 and 28, 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.

39. PRINCIPAL SUBSIDIARIES

(i) Particulars of the principal subsidiaries at 31st December, 2010 and 2009 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

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.

39. PRINCIPAL SUBSIDIARIES (continued)

(ii) Distributable reserves

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

	2010	2009
	HK$'000	HK$'000
Contributed surplus *(Note)*	**84,239**	84,239
Retained profits	**11,599**	6,591
	95,838	90,830

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.

40. 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$400,000 (2009: HK$267,000).

41. EVENT AFTER THE REPORTING PERIOD

Subsequent to 31st December, 2010, the Group entered into the supplemental 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 investment properties at the consideration of HK$20,000,000. The transaction is expected to complete on 31st May, 2011.

Subsequent to 31st December, 2010, two subsidiaries of the Group, Brilliant Top In Logistics Limited ("Brilliant Top In") and Brilliant Cold Storage Management Limited ("Brilliant Cold") have dispute with a customer over the handling of the customer's goods. As against Brilliant Top In and Brilliant Cold, the customer has alleged that in the course of business, certain goods to which it claims ownership were not delivered on demand, and claimed damages of goods amounting to EUR 230,257 (approximately HK$2,393,292) and compensation for other losses. It is the intention of the management to contest the claims. Management believes that the claims are still at preliminary stage and cannot estimate the total losses that will be incurred.

Financial Summary

	Year ended 31st December,				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**178,080**	155,236	169,292	154,444	149,766
Profit (loss) for the year	**2,403**	(6,455)	(109,826)	(16,916)	313

	As at 31st December,				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**489,218**	473,616	423,443	537,183	580,772
Total liabilities	**(95,976)**	(86,206)	(89,294)	(93,208)	(176,943)
	393,242	387,410	334,149	443,975	403,829
Attributable to:					
Owners of the Company	**385,122**	382,719	334,147	443,973	403,827
Non-controlling interests	**8,120**	4,691	2	2	2
	393,242	387,410	334,149	443,975	403,829

Particulars of Investment Properties

Name/location	Lease expiry	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	9,056	100	Medium-term leases