Greenfield Chemical Holdings Limited
嘉 輝 化 工 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 582

2008 annual report

Greenfield

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Corporate Information

Board of Directors

Executive Directors
Mr. Lau Yau Cheung
Mr. Tsui Robert Che Kwong

Non-executive Directors
Mr. Chung Tze Hien
Mr. Ng Seng Nam

Independent Non-executive Directors
Mr. Lau Siu Ki, Kevin
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Remuneration Committee

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Audit Committee

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Company Secretary

Mr. To Yung Kan

Auditors

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

Legal Adviser

P. C. Woo & Co.
12th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Principal Banker

Standard Chartered Bank

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business

Block L, 9th Floor
On Wah Industrial Building
41-43 Au Pui Wan Street
Fo Tan, Shatin
Hong Kong

Principal Registrars

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

Registrars in Hong Kong

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

582

Website of the Company

http://www.gch.hk

Biographical Details of Directors

MR. LAU YAU CHEUNG, aged 48, was appointed as an Executive Director on 31st October, 2007. Mr. Lau is responsible for the overall management and general administrative activities. Mr. Lau graduated in 1984 from the University of Toronto in Canada with a bachelor's degree in Commerce and has served in various senior management positions with both private and publicly listed companies in Hong Kong in the past years. Mr. Lau is also an independent non-executive director of Chai-Na-Ta Corp., a Canadian company which is the world's largest supplier of North American ginseng with shares listed on the NASDAQ — OTCBB in the United States, since November 2006.

MR. TSUI ROBERT CHE KWONG, aged 55, was appointed as an Executive Director on 1st November, 2007. Mr. Tsui is a graduate of the University of Buckingham, England, with a bachelor degree in Law. He is the sole proprietor of Robert C. K. Tsui & Co., a firm of solicitors in Hong Kong. Mr. Tsui has been practising in the legal field for more than 20 years. He is also an independent non-executive director of Dore Holdings Limited (Stock Code: 628), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, since August 2004.

MR. CHUNG TZE HIEN, aged 59, was appointed as a Non-executive Director on 8th December, 2003. Mr. Chung graduated from the University of Otago, New Zealand with a Commerce Degree and later proceeded to qualify as an Associate Member of the Institute of Chartered Accountants of New Zealand and the Institute of Chartered Secretaries and Administrators of United Kingdom. Mr. Chung had worked for and held senior managerial positions in several public listed companies in Hong Kong, Singapore and Malaysia, involving a variety of industries and businesses. He is also a director and chief executive officer of Mulpha International Bhd. ("Mulpha"), the ultimate holding company of the Company, and a director of Mulpha Land Berhad ("MLB"), Mulpha Australia Limited, two subsidiaries of Mulpha, and Mudajaya Group Berhad ("MJG"), Rotol Singapore Ltd ("Rotol"), two associate companies of Mulpha. Mulpha, MLB and MJG are listed on the Bursa Malaysia Securities Berhad. Rotol is listed on the Singapore Exchange Securities Trading Limited.

MR. NG SENG NAM, aged 53, joined the Group in 1998 and was appointed as a Non-executive Director on 22nd October, 2001. Mr. Ng is the company secretary of Mulpha. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Prior to joining Mulpha, he was the company secretary and accountant of Malaysian Kuwaiti Investment Company Sdn. Bhd., an investment holding company with diversified interests, for eight years. Mr. Ng started his career with PricewaterhouseCoopers (previously Price Waterhouse) in 1976 where he worked for six years.

MR. LAU SIU KI, KEVIN, aged 50, was appointed as an Independent Non-executive Director on 9th April, 2002. Mr. Lau is currently running his own management consultancy firm, Hin Yan Consultants Limited. He is also a consultant to the corporate finance division of PCP CPA Limited, a certified public accountant firm in Hong Kong. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a fellow member of both the ACCA and the Hong Kong Institute of Certified Public Accountants. Mr. Lau is also a member of the world council of ACCA and was the President of ACCA Hong Kong Branch in 2000/2001. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited and Times Ltd. He is also an independent non-executive director of several other listed companies in Hong Kong.

Biographical Details of Directors

MR. WU WING KIT, aged 52, was appointed as an Independent Non-executive Director on 9th April, 2002. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Law Degree from the City University of Hong Kong. Mr. Wu has been practicing as a solicitor in Hong Kong for more than 27 years. He is presently a partner of Fred Kan & Co. and is a notary public in Hong Kong and a China Appointed Attesting Officer.

DR. CHUI HONG SHEUNG, *JP*, aged 59, was appointed as an Independent Non-executive Director on 23rd August, 2004. He holds a Doctor of Philosophy Degree from The University of New South Wales. He is the President of the Hang Seng School of Commerce. For the past 20 years, Dr. Chui has taken up various leadership and management roles in different organizations such as church, District Cultural, Recreational, and Sports Associations, Hong Kong Association of Heads of Secondary Schools, Hong Kong Subsidised Secondary Schools Council, various committees of Education Department, Regional Council and District Council. Besides, he has undertaken researches on education, leadership and management. Dr. Chui received the Queen's Badge of Honour in 1991 in recognition of his contributions to the society and the Neil Andrew Johnson Award for Excellence in Research in Educational Administration from the University of New South Wales in 1995.

Letter From the Board

On behalf of the board of directors (the "Board") of Greenfield Chemical Holdings Limited (the "Company"), I have pleasure to report on the financial results, operations and other aspects of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2008.

Financial Results

For the year ended 31st December 2008, although the Group's consolidated turnover increased by 5.88% to HK$335,697,000 (2007: HK$317,066,000), the net profit attributable to shareholders of the Company decreased to HK$4,376,000 in comparison with that of HK$24,535,000 in 2007. Earnings per share decreased from HK9.4 cents for last year to HK1.5 cents this year.

As at 31 December 2008, the net asset value per share attributable to shareholders of the Company was HK$1.30 (2007: HK$1.33).

Dividend

The Board do not recommend the payment of a dividend for the year ended 31st December, 2008 (2007: final dividend of HK3 cents per share and a special dividend of HK3 cents per share).

Management Discussion and Analysis

Review of Operations

During the year under review, despite the fierce competition in the paints market, the Group achieved a moderate increase of 5.88% to HK$335,697,000 (2007: HK$317,006,000) in turnover. The increase in turnover was mainly due to the Group's constant efforts to upgrade products and services, develop new markets, deepen its contacts and consolidate closer ties with its customers.

The Group endeavoured to tighten stringent cost control, search for less expensive raw material, expand sources of supply, rationalize and streamline the work and production process in order to improve operational efficiency and enhance the Group's competitiveness. However, with the escalation in price of crude oil, price of other key raw material, labour cost and administrative expenses prior to the financial crisis beginning in September 2008, the net profit for the year decreased by 35.83% to HK$14,904,000 (2007: HK$23,226,000), together with the dilution effect as a result of the disposal of 49% equity interests in Rookwood Investments Limited in the fourth quarter of 2007, the profit attributable to shareholders of the Company dropped by 82.16% to HK$4,376,000 (2007: HK$24,535,000).

Letter From the Board

In November 2007, the Group entered into a conditional sale and purchase agreement (the "Conditional Agreement") with independent third parties, subject to satisfaction of certain conditions precedent, to acquire two coal mines in Inner Mongolia. As a result of the financial crisis and decline in the economies of the world, the demand for natural resources including coal has become uncertain. After careful consideration and deliberation with the vendors, it was agreed and decided that it might not be in the interests of the parties concerned to proceed with the Conditional Agreement under the prevalent economic circumstances and the vendors and the Group mutually agreed to terminate the Conditional Agreement in November 2008. Hence, a deed of termination to terminate the Conditional Agreement was executed to consolidate and restructure the debts in the form of the indebtedness for a term of two years from the date of the deed of termination in order to safeguard the repayment to and recovery by the Group of the indebtedness. Interest income will be received quarterly by the Group during the term of the indebtedness.

Outlook

The global financial tsunami hit the global economy badly and damaged business confidence throughout the world. Looking ahead, the growth of the business will depend on the ability of the global economy to recover from the financial crisis and the year 2009 will be very challenging for the industry of paints and petrochemical and related products. Despite the adverse market conditions, the Group aims to reinforce its competitiveness, consolidate its relationship with customers, expand its customer base, increase the sale of its high-yield products and enhance product quality in order to maintain continual growth when the global economy revives from the financial crisis.

In light of the global financial crisis, the Group will take a more cautious view in its investment activities. Equipped with a strong and healthy financial position, the Group is well-placed to continue to identify grossly under-valued investment opportunities in order to diversify the business of the Group and maximize returns for its shareholders.

Subsequent to the year end, the Company repurchased 27,140,000 ordinary shares of the Company on The Stock Exchange of Hong Kong Limited in the range from HK$0.84 to HK$0.85 for a total consideration of approximately HK$23,000,000. At the balance sheet date, the net asset value per share attributable to shareholders of the Company was HK$1.30, therefore, such repurchase would lead to an enhancement of the net asset value per share and earnings per share of the Company where the directors consider it to be in the best interests of the Company.

Financial Resources, Borrowings and Capital Structure

As at 31st December 2008, the Group's non-current assets amounted to HK$329,097,000 (2007: HK$253,435,000) and net current assets amounted to HK$207,198,000 (2007: HK$280,306,000) with a current ratio of 8.0 (2007: 6.0) calculated on the basis of the Group's current assets over current liabilities.

During the year ended 31st December 2008, the Group had no borrowings outstanding. The Group has sufficient cash surplus to finance operation from internally generated cash flow. The Group maintained a satisfactory financial position derived from the steady growth of its business. As at 31st December 2008, the Group had cash on hand of HK$106,945,000 (2007: HK$173,948,000).

Exposure to Foreign Exchange Risk

Business transactions of the Group are mainly denominated in Hong Kong dollars and Renminbi. Currently, the Group does not engage in any hedging contract. In view of the fluctuation of Renminbi during the year, the Group will monitor the situation closely and will introduce suitable measures if there are likely to be any changes.

Employee and Remuneration Policies

As at 31st December 2008, the Group had around 1,100 full-time employees. They included management and administrative staff and production workers. Most of them were stationed in Mainland China while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to individual performance, as well as professional and working experience, and in accordance with prevalent industry practices.

Appreciation

On behalf of the Board, I would like to convey its sincere gratitude to our employees for their diligence and contributions to the Group. I would also like to acknowledge the continual support of our customers, suppliers and shareholders during the year of 2008.

For and on behalf of the Board
Lau Yau Cheung
Executive Director

Hong Kong, 24th April 2009

Directors' Report

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

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 13 to the consolidated financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of any dividend and propose that profit for the year be retained.

Property, Plant and Equipment

During the year, the Group spent approximately HK$8,265,000 on property, plant and equipment.

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31st December, 2008 were as follows:

	2008	2007
	HK$'000	HK$'000
Share premium	**121,293**	121,293
Contributed surplus	**119,071**	119,071
Retained profits	**48,192**	64,517
	288,556	304,881

Directors' Report

Summary of Financial Information

A summary of the results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 66.

Directors

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

Executive Directors:

Mr. Lau Yau Cheung
Mr. Tsui Robert Che Kwong

Non-executive Directors:

Mr. Chung Tze Hien
Mr. Ng Seng Nam

Independent Non-executive Directors:

Mr. Lau Siu Ki, Kevin
Mr. Wu Wing Kit
Dr. Chui Hong Sheung

In accordance with Article 116 of the Company's Articles of Association, Mr. Lau Siu Ki, Kevin and Dr. Chui Hong Sheung, retire by rotation and, being eligible, offer themselves for re-election.

The non-executive directors have no set term of office but are subject to retirement by rotation and are eligible for re-election, in accordance with the Company's Articles of Association.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

Directors' Interests in Shares, Underlying Shares and Debentures

At 31st December, 2008, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Name of director	Corporate interests	Percentage of the issued share capital held
Mr. Lau Yau Cheung ("Mr. Lau")	6,500,000	2.17%

Note: The shares were held by BH Equities Limited, a company wholly owned by Mr. Lau.

The interests stated above represent long positions. Other than as disclosed above, none of the directors, chief executive nor their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31st December, 2008.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, or any of its holding companies, its subsidiaries or fellow 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 and any other body corporate.

Directors' Interests in Contracts

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries or fellow 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.

Substantial Shareholders

As at 31st December, 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name	Capacity	Number of shares held	Percentage of issued share capital of the Company
Mulpha International Bhd. ("MIB")	Held by controlled corporation *(Note)*	187,500,000	62.5%
Mulpha Strategic Limited ("MSL")	Held by controlled corporation *(Note)*	187,500,000	62.5%
Pacific Orchid Investments Limited ("Pacific Orchid")	Beneficial owner	187,500,000	62.5%

Note: These shares were held by Pacific Orchid, which is owned as to 68% by MSL, an indirect wholly-owned subsidiary of MIB, and as to 32% by Jumbo Hill Group Limited, a wholly-owned subsidiary of MSL. Therefore, each of MIB and MSL is deemed to be interested in the shares held by Pacific Orchid.

All the interests stated above represent long positions. Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2008.

Confirmation of Independence of Independent Non-executive Directors

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

Major Customers and Suppliers

During the year, less than 30% of the Group's sales was attributable to the Group's five largest customers.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 10.7% and 32.2%, respectively.

Retirement Benefits Schemes

Information on the retirement benefits schemes of the Group is set out in note 29 to the consolidated financial statements.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities. Subsequent to the year end, the Company repurchased 27,140,000 ordinary shares in the Company through the Stock Exchange in the range from HK$0.84 to HK$0.85 for a consideration of approximately HK$23,000,000. The repurchases were effected by the directors of the Company for the enhancement of shareholders' value.

Emolument Policy

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

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

Pre-emptive Rights

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

Sufficiency of Public Float

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

Charitable Donations

During the year, the Group made charitable donations amounting to approximately HK$828,000.

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

Lau Yau Cheung
Executive Director

24th April, 2009

Corporate Governance Report

The board of directors (the "Board") is committed to upholding a high standard of corporate governance practices and business ethics in the belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements (both locally and internationally), and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") came into effect on 1st January, 2005. The CG Code sets out two levels of corporate governance practices namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CG Code except for certain areas of non-compliance that are discussed later in this report.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the Directors of the Company. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31st December, 2008.

The Board

The Board is charged with overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders. Roles of the Board include reviewing and guiding corporate strategies and policies, monitoring financial and operating performance and setting appropriate risk management policies.

The primary role of the Board is to oversee how management serves the interests of shareholders and other stakeholders. To do this, the Board has adopted corporate governance principles aimed at ensuring that the Board is independent and fully informed on the key strategic issues facing the Company. The Board comprises two Executive Directors, two Non-executive Directors and three Independent Non-executive Directors.

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. At least one of the Independent Non-Executive Directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in pages 3 to 4, which demonstrates a diversity of skills, expertise, experience and qualifications. The Company has received from the three Independent Non-executive Directors annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent.

The Board has appointed Board Committees to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report.

Board of Directors	Audit Committee	Remuneration Committee
Executive Directors		
Mr. Lau Yau Cheung	—	—
Mr. Tsui Robert Che Kwong	—	—
Non-executive Directors		
Mr. Chung Tze Hien	—	—
Mr. Ng Seng Nam	—	—
Independent Non-executive Directors		
Mr. Lau Siu Ki, Kevin	✓	✓
Mr. Wu Wing Kit	✓	✓
Dr. Chui Hong Sheung	✓	✓

Regular Board meetings are scheduled in advance to facilitate fullest possible attendance. The Company Secretary assists the Executive Directors in setting the agenda of Board meetings and each Director is invited to present any businesses that he wishes to discuss or propose at such meetings. Board papers are circulated to all Directors within reasonable time before the Board meetings to ensure timely access to relevant information. Directors may choose to take independent professional advice if necessary. Draft and final versions of minutes are circulated to all Directors for comments. The Company held four Board meetings in 2008. Attendance of the Board meetings are as follows:

Name of Director	Number of Board meetings attended
Mr. Lau Yau Cheung	4/4
Mr. Tsui Robert Che Kwong	4/4
Mr. Chung Tze Hien	4/4
Mr. Ng Seng Nam	4/4
Mr. Lau Siu Ki, Kevin	4/4
Mr. Wu Wing Kit	3/4
Dr. Chui Hong Sheung	4/4

Remuneration Committee

The Remuneration Committee comprises the three Independent Non-executive Directors: Mr. Lau Siu Ki, Kevin (Committee Chairman), Mr. Wu Wing Kit and Dr. Chui Hong Sheung.

The written terms of reference stipulating the authority and duties of the Remuneration Committee were adopted on 15th September, 2005 which conform to the provisions of the CG Code.

The Remuneration Committee's major roles are to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages to all Executive Directors and senior management as well as review and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year, no meeting was held by the Remuneration Committee and this constituted a deviation from the terms of reference. However, the Company shall comply with its terms of reference in the year of 2009.

Audit Committee

The Audit Committee comprises the three Independent Non-executive Directors: Mr. Lau Siu Ki, Kevin (Committee Chairman), Mr. Wu Wing Kit and Dr. Chui Hong Sheung.

The written terms of reference stipulating the authority and duties of the Audit Committee were adopted in 2002 and subsequently amended in 2005 to conform to the provisions of the CG Code.

The Audit Committee reviews and supervises the Group's financial reporting and internal control systems. It has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters.

During the year, two meetings were held by the Audit Committee and attended by all members to review and discuss the financial reporting matters, including the review of the interim and annual financial statements.

Code of Ethics and Securities Transactions ("Code of Ethics")

The Company adopted the Code of Ethics on 21st December, 2005 as written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the Company.

Deviations from Code on Corporate Governance Practices

The Company has complied with the CG Code except for the following deviations:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a separate chairman and chief executive officer and Mr. Lau Yau Cheung, an Executive Director of the Company, currently assumes both roles. The Board believes that the vesting of the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies, as well as ensuring effective oversight of management. The Board also believes that the Company already has a strong corporate governance structure and as such the present structure is considered to be appropriate under the circumstances.

Code provisions A.4.1 and A.4.2

Code provisions A.4.1 and A.4.2 stipulate that (a) non-executive directors should be appointed for a specific term and subject to re-election; and (b) all directors appointed to fill a causal vacancy should be subject to election at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Company does not fully comply with code provisions A.4.1 and A.4.2. The existing Non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting.

The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the Shareholders.

Pursuant to the Articles of Association of the Company, the Directors are not subject to retirement by rotation at least once every three years. This constituted a deviation from code provision A.4.2. However, the Articles of Association requires one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from the office by rotation at every annual general meeting.

Directors' Responsibility for the Group's Financial Reporting

The Directors are responsible for the preparation of financial statements of the Group which give a true and fair view, and are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The Directors are responsible for selecting and applying on a consistent basis suitable accounting policies and ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

Corporate Governance Report

The Board understands the importance of presenting a clear and comprehensive assessment of the Group's overall performance, financial positions as well as prospects in a timely manner; and the Board is pleased to report that, so far, the annual and interim results of the Group are announced within the four months and three months limit respectively after the end of the relevant periods.

Internal Control

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Group at all times. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought.

Management has conducted regular reviews during the year on the effectiveness of the internal control system covering all material controls in area of financial, operational and compliance controls, various functions for risks management as well as physical and information systems security. The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee in turn reports any material issues to the Board.

External Auditors

The Report of the Auditors of the Company, Deloitte Touche Tohmatsu, in respect of the audit of the Group's financial statements for the year is set out on pages 19 to 20 of the annual report. The Board takes steps in ensuring continuing auditors' objectivity and independence.

During the year under review, the remuneration paid or payable to the Company's auditors, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	660,000
Non-audit services (note)	2,396,000
	3,056,000

Note: Included a service fee of HK$1,800,000 for preparation of accountancy's report and the relevant comfort letters for a major transaction relating to conditional sales and purchase of the entire share capital of Winfame Investments Limited.

Deloitte.
德勤

TO THE MEMBERS OF GREENFIELD CHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greenfield Chemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 65 which comprise the consolidated balance sheet as at 31st December, 2008, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2008 and of its 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

24th April, 2009

Consolidated Income Statement

For The Year Ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**335,697**	317,066
Cost of sales		**(291,419)**	(270,503)
Gross profit		**44,278**	46,563
Other income		**22,800**	17,840
Distribution and selling expenses		**(16,235)**	(13,864)
Administrative expenses		**(50,622)**	(37,587)
Loss on partial disposal of a subsidiary		**—**	(2,991)
Share of profits of associates		**18,009**	16,612
Profit before taxation	7	**18,230**	26,573
Taxation	8	**(3,326)**	(3,347)
Profit for the year		**14,904**	23,226
Attributable to:			
Equity holders of the Company		**4,376**	24,535
Minority interests		**10,528**	(1,309)
		14,904	23,226
Dividends	9	**18,000**	22,500
Earnings per share, basic	10	**HK1.5 cents**	HK9.4 cents

Consolidated Balance Sheet

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**83,232**	83,669
Prepaid lease payments	12	**13,885**	13,397
Interests in associates	13	**72,752**	56,245
Available-for-sale investments	14	**10**	10
Deposit for acquisition of a subsidiary	15	**—**	100,000
Loans receivable	16	**159,055**	—
Deferred tax assets	17	**163**	114
		329,097	253,435
CURRENT ASSETS			
Prepaid lease payments	12	**340**	320
Inventories	18	**29,745**	35,431
Trade and other receivables	19	**84,596**	102,815
Advance to an associate	20	**10,000**	18,566
Dividend receivable from an associate	20	**4,500**	4,500
Tax recoverable		**511**	1,164
Bank balances and cash	21	**106,945**	173,948
		236,637	336,744
CURRENT LIABILITIES			
Trade and other payables	22	**29,439**	53,933
Amounts due to related companies	24	**—**	2,505
		29,439	56,438
NET CURRENT ASSETS		**207,198**	280,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**536,295**	533,741
CAPITAL AND RESERVES			
Share capital	23	**30,000**	30,000
Reserves		**361,168**	370,227
Equity attributable to equity holders of the Company		**391,168**	400,227
Minority interests		**145,127**	133,514
Total Equity		**536,295**	533,741

The consolidated financial statements on pages 21 to 65 were approved and authorised for issue by the Board of Directors on 24th April, 2009 and are signed on its behalf by:

LAU YAU CHEUNG
DIRECTOR

TSUI ROBERT CHE KWONG
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year Ended 31st December, 2008

	Attributable to equity holders of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note a)	**Translation reserve** HK$'000	**Non-distributable reserve** HK$'000 (note b)	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1st January, 2007	25,000	4,242	32,000	1,051	6,229	200,088	268,610	—	268,610
Exchange differences arising from translation of foreign operations	—	—	—	7,606	—	—	7,606	—	7,606
Share of translation reserve of associates	—	—	—	2,570	—	—	2,570	—	2,570
Total income recognised directly in equity	—	—	—	10,176	—	—	10,176	—	10,176
Release upon deregistration of an associate	—	—	—	—	(460)	—	(460)	—	(460)
Profit (loss) for the year	—	—	—	—	—	24,535	24,535	(1,309)	23,226
Total recognised income for the year	—	—	—	10,176	(460)	24,535	34,251	(1,309)	32,942
Issue of new shares on placement	5,000	120,000	—	—	—	—	125,000	—	125,000
Partial disposal of interest in a subsidiary	—	—	—	(2,185)	—	—	(2,185)	126,423	124,238
Contribution from minority shareholders of a subsidiary	—	—	—	—	—	—	—	8,400	8,400
Transaction costs attributable to issue of shares	—	(2,949)	—	—	—	—	(2,949)	—	(2,949)
Dividends paid to equity holders of the Company	—	—	—	—	—	(22,500)	(22,500)	—	(22,500)
At 31st December, 2007	30,000	121,293	32,000	9,042	5,769	202,123	400,227	133,514	533,741
Exchange differences arising from translation of foreign operations	—	—	—	3,035	—	—	3,035	3,537	6,572
Share of translation reserve of associates	—	—	—	1,530	—	—	1,530	1,468	2,998
Total income recognised directly in equity	—	—	—	4,565	—	—	4,565	5,005	9,570
Profit for the year	—	—	—	—	—	4,376	4,376	10,528	14,904
Total recognised income for the year	—	—	—	4,565	—	4,376	8,941	15,533	24,474
Dividends paid to equity holders of the Company	—	—	—	—	—	(18,000)	(18,000)	—	(18,000)
Dividends paid to minority shareholders	—	—	—	—	—	—	—	(3,920)	(3,920)
At 31st December, 2008	30,000	121,293	32,000	13,607	5,769	188,499	391,168	145,127	536,295

Notes:

(a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its shareholders prior to a group reorganisation in 2002.

(b) The non-distributable reserve of the Group mainly arises from the statutory reserves requirement that the foreign investment enterprises shall appropriate 10% of their profit after taxation of the subsidiaries of the Company registered in the People's Republic of China other than Hong Kong (the "PRC") to the non-distributable reserve, under the PRC laws and regulations.

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**18,230**	26,573
Adjustments for:		
Impairment losses on trade receivables	**2,185**	1,176
Amortisation of prepaid lease payments	**329**	241
Depreciation of property, plant and equipment	**13,215**	10,910
Loss (gain) on disposal of property, plant and equipment	**230**	(40)
Interest income	**(5,281)**	(2,215)
Loss on partial disposal of a subsidiary	**—**	2,991
Share of profits of associates	**(18,009)**	(16,612)
Operating cash flows before movements in working capital	**10,899**	23,024
Decrease (increase) in inventories	**6,874**	(2,321)
Decrease (increase) in trade and other receivables	**18,380**	(18,110)
(Decrease) Increase in trade and other payables	**(26,689)**	9,997
Decrease in amounts due to related companies	**(75)**	(58)
Cash generated from operations	**9,389**	12,532
Hong Kong Profits Tax paid	**(961)**	(979)
PRC income tax paid	**(1,782)**	(612)
NET CASH FROM OPERATING ACTIVITIES	**6,646**	10,941
INVESTING ACTIVITIES		
Increase in loans receivable	**(59,055)**	—
Purchase of property, plant and equipment	**(8,265)**	(23,858)
Repayment from (advance to) an associate	**8,566**	(3,566)
Dividend received from associates	**4,500**	6,300
Interest received	**3,911**	2,215
Proceeds from disposal of property, plant and equipment	**164**	1,072
Deposits paid for acquisition of a subsidiary	**—**	(100,000)
Proceeds from partial disposal of a subsidiary	**—**	122,500
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(50,179)**	4,663

Consolidated Cash Flow Statement

For the Year Ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Dividends paid to minority shareholders of subsidiaries	**(3,920)**	—
Dividends paid to equity holders of the Company	**(18,000)**	(22,500)
(Repayment to) advance from a minority shareholder	**(2,430)**	2,430
Contribution from minority shareholders of a subsidiary	**—**	8,400
Net proceeds from issue of shares	**—**	122,051
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(24,350)**	110,381
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(67,883)**	125,985
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**173,948**	47,212
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**880**	751
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**106,945**	173,948

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Pacific Orchid Investments Limited, a company incorporated in the British Virgin Islands ("BVI"), and its ultimate holding company is Mulpha International Bhd., a company incorporated in Malaysia with its shares listed on Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 13, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS")

In the current year, the Group has applied for the first time the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective:

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS") (Continued)

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

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

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis.

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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

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

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of goods, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives, and after taking into account their estimated residual values, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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

Investments in associates

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

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

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Impairment loss on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss 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 in the profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including 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 timeframe 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.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, the Group's loans and receivables (including deposit for acquisition of a subsidiary, loans receivable, advance to an associate, trade and other receivables, dividend receivable from an associate and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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 carried at cost less any identified impairment loss at each balance sheet date subsequent to initial recognition (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Convertible instruments

Convertible instruments held by the Group which are the combined instruments that contain both the loans receivable and conversion option component and are classified separately into respective items on initial recognition. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

If the derivative component that is required to be separated cannot be reliably measured because it will be settled by an unquoted equity instrument whose fair value cannot be reliably measured, the combined instrument is measured at fair value. However, if the derivative component of the convertible bonds is sufficiently significant to preclude it from obtaining a reliable estimate of fair value of the combined instrument, the combined instrument is measured at cost less impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

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

For certain categories of financial assets, 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 trade 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, observable changes in national or local economic conditions that correlate with default on trade receivables.

For loans and receivables and available-for-sale equity investments, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. For loans and receivables, 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 original effective interest rate.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For available-for-sale equity investments which are carried at cost less any identified impairment loss, 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 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 loans and receivables, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses 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.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity 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 entity after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities (including trade and other payables and amounts due to related companies) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

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

Inventories

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

Revenue recognition

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

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

Management fee income and royalty fee income is recognised when services are provided.

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan, including Occupational Retirement Scheme (the "ORSO Scheme"), the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit scheme, are charged as expenses when employees have rendered service entitling them to the contributions.

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 lessee

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

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Prepaid lease payments

Prepaid lease payments represent the up-front payments to lease medium-term leasehold land interests in the PRC and are charged to the consolidated income statement on a straight-line basis over the term of the relevant leases.

3. Significant Accounting Policies (Continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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 arising on investments in subsidiaries and associates, 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. Key Sources of Estimation Uncertainty and Management Judgement

In the process of applying the Group's accounting policies, management has made the following estimates and judgement that have significant effect on the amounts recognised in the consolidated financial statements:

Taxation

During the year ended 31st December, 2006, the Hong Kong Inland Revenue Department (the "IRD") issued additional assessments in aggregate of approximately HK$11,001,000 relating to certain previous years of assessment, details of which are set out in note 8. Income tax expense of HK$10,000,000 was recognised against the payment for tax reserve certificates in that year, and the remaining amount of HK$1,001,000 was included in tax recoverable as at 31st December, 2007 and 31st December, 2008. As the ultimate outcome of the additional assessments remain undetermined, the tax amount that would otherwise become payable or recoverable may change.

Estimated impairment of loans receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of loans receivable is HK$159,055,000 (2007: Nil). Details of the loans receivable are set out in note 16.

Sufficiency of the security of loans receivable

Management regularly reviews the recoverability of loans receivable. In determining the estimated impairment of loans receivable, management has considered the sufficiency of security of loans receivable from Winfame Investment Limited ("Winfame") and New Gold International Limited ("New Gold"). The loans receivable is secured by the pledge of the entire issued share capital of Winfame and Winfame's equity interest in New Gold. Where the underlying assets of Winfame and New Gold are disposed of or transferred out, a material impairment loss may arise. As at 31st December, 2008, the carrying amount of loans receivable is HK$159,055,000 (2007: Nil). Details of the loans receivable are set out in note 16.

5. Revenue and Segmental Information

Revenue represents the amounts received and receivable for goods sold, net of discount and sales related taxes, during the year.

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and solvents which are subject to similar risks and returns and which accounts for more than 90% of the turnover and profits of the Group for the current and prior years. Accordingly, no business segment is presented.

The Group's primary format for reporting segment information is geographical segments (based on location of customers).

2008

	Hong Kong HK$'000	The PRC HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	178,700	156,997	—	335,697
Inter-segment sales (note)	144,238	3,408	(147,646)	—
Total revenue	322,938	160,405	(147,646)	335,697
RESULTS				
Segment results	12,833	5,251		18,084
Interest income				5,281
Unallocated corporate income				9,508
Unallocated corporate expenses				(32,652)
Share of profits of associates				18,009
Profit before taxation				18,230
Taxation				(3,326)
Profit for the year				14,904

5. Revenue and Segmental Information (Continued)

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	**27,788**	**51,406**	**79,194**
Unallocated corporate assets			**486,540**
Consolidated total assets			**565,734**
LIABILITIES			
Unallocated corporate liabilities			**29,439**

OTHER INFORMATION

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
Impairment losses on trade receivables recognised in the consolidated income statement	**1,462**	**723**	**2,185**

2007

	Hong Kong HK$'000	The PRC HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE				
External sales	195,576	121,490	—	317,066
Inter-segment sales (note)	166,284	581	(166,865)	—
Total revenue	361,860	122,071	(166,865)	317,066
RESULTS				
Segment results	13,562	7,999		21,561
Interest income				2,215
Unallocated corporate income				7,002
Unallocated corporate expenses				(17,826)
Loss on partial disposal of a subsidiary				(2,991)
Share of profits of associates				16,612
Profit before taxation				26,573
Taxation				(3,347)
Profit for the year				23,226

5. Revenue and Segmental Information (Continued)

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	60,377	35,976	96,353
Unallocated corporate assets			493,826
Consolidated total assets			590,179
LIABILITIES			
Unallocated corporate liabilities			56,438

OTHER INFORMATION

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
Impairment losses on trade receivables recognised in the consolidated income statement	—	1,176	1,176

Note: Inter-segment sales are charged at prices with reference to the prevailing market rates.

The following is an analysis of the carrying amount of segment assets and expenditure on property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Expenditure on property, plant and equipment**	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
The PRC	**174,049**	166,161	**7,496**	19,864
Hong Kong	**37,749**	69,471	**769**	428
	211,798	235,632	**8,265**	20,292

6. Directors' and Employees' Emoluments

(a) Directors' Remuneration

The emoluments paid or payable to each of the seven (2007: ten) directors were as follows:

	Yau Lau Cheung HK$'000	Tsui Robert Che Kwong HK$'000	Chung Tze Hien HK$'000	Ng Seng Nam HK$'000	Lau Siu Ki, Kevin HK$'000	Wu Wing Kit HK$'000	Chui Hong Sheung HK$'000	Total HK$'000
2008								
Fees	—	—	—	—	100	100	100	300
Other emoluments								
Salaries and other benefits	1,298	389	—	—	—	—	—	1,687
Retirement benefit scheme contribution	12	12	—	—	—	—	—	24
Total emoluments	1,310	401	—	—	100	100	100	2,011

	Lau Yau Cheung HK$'000	Tsui Robert Che Kwong HK$'000	Yuen Shu Wah HK$'000	Ko Jack Lum HK$'000	Ng Kai On HK$'000	Chung Tze Hien HK$'000	Ng Seng Nam HK$'000	Lau Siu Ki, Kevin HK$'000	Wu Wing Kit HK$'000	Chui Hong Sheung HK$'000	Total HK$'000
2007											
Fees	–	–	–	–	–	–	–	100	100	100	300
Other emoluments											
Salaries and other benefits	217	65	1,279	2,402	821	–	–	–	–	–	4,784
Retirement benefit scheme contribution	2	2	106	106	54	–	–	–	–	–	270
Total emoluments	219	67	1,385	2,508	875	–	–	100	100	100	5,354

During the year ended 31st December, 2007, a director waived emoluments of HK$1,257,000. None of the directors waived any emoluments during the year.

6. Directors' and Employees' Emoluments (Continued)

(b) Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2007: three) were directors of the Company whose emoluments are included above. The emoluments of the remaining three (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**4,333**	1,405
Retirement benefit scheme contribution	**275**	58
	4,608	1,463

Their emoluments were within the following bands:

	2008 Number of employees	2007 Number of employees
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**1**	—
HK$2,000,001 to HK$2,500,000	**1**	—

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

7. Profit Before Taxation

	2008 **HK$'000**	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 6)		
Fees	**300**	300
Other emoluments	**1,711**	5,054
Other employee benefits expense	**87,269**	65,839
Total employee benefits expense	**89,280**	71,193
Impairment losses on trade receivables	**2,185**	1,176
Amortisation of prepaid lease payments	**329**	241
Auditor's remuneration	**660**	640
Cost of inventories recognised as expense	**291,419**	270,503
Depreciation of property, plant and equipment	**13,215**	10,910
Loss on disposal of property, plant and equipment	**230**	—
Operating lease rentals in respect of rented premises	**1,769**	1,025
Share of taxation of associates (included in share of profits of associates)	**4,502**	3,924
and after crediting:		
Exchange gain, net	**1,937**	2,397
Gain on disposal of property, plant and equipment	**—**	40
Management fee income (note 24)	**6,474**	6,783
Royalty fee income (note 24)	**4,231**	3,807
Interest income earned from:		
Advance to an associate (note 24)	**1,092**	1,333
Bank deposits	**827**	882
Loans receivable	**3,362**	—

8. Taxation

	2008 **HK$'000**	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	**2,154**	1,733
Underprovision in prior year	**133**	932
	2,287	2,665
PRC Enterprise Income Tax:		
Current year	**839**	676
Underprovision in prior year	**249**	95
	1,088	771
Deferred tax (note 17):		
Current year	**(56)**	(89)
Attributable to a change in tax rate	**7**	—
	(49)	(89)
	3,326	3,347

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years while the Company's other PRC subsidiaries are subject to preferential tax rate.

8. Taxation (Continued)

The newly promulgated Enterprise Income Tax Law (the "New Law") of the PRC is effective on 1st January, 2008. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the New Law. Following the New Law and tax circulars, one of the Company's PRC subsidiaries which enjoyed the preferential tax rate of 15% in prior year is subject to 18% tax rate in the current year and the tax rate will increase progressively to 25% until 2012. Another PRC subsidiary which enjoyed 12% effective tax rate in prior year is subject to 25% tax rate starting from 1st January, 2008, while the remaining two PRC subsidiaries are entitled to full tax exemption in the current and prior years and therefore does not provide for PRC Enterprise Income Tax for both years.

In addition, the IRD issued additional assessment in aggregate of approximately HK$11,001,000 to an indirect wholly-owned subsidiary of the Company disallowing its offshore claims in respect of its production activities for years of assessment 2002/03, 2003/04, 2004/05 and 2005/06 during the year ended 31st December, 2006. The Group had purchased tax reserve certificates totalling HK$11,001,000 and an amount of HK$10,000,000 was recognised as income tax expense against such tax reserve certificates in previous year and the remaining amount of tax reserve certificates of HK$1,001,000 was included in tax recoverable as at the balance sheet date. In the opinion of the directors of the Company, the ultimate outcome of the additional assessment remains undetermined and the Group will continue to defend vigorously against the additional assessment.

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008	2007
	HK$'000	HK$'000
Profit before taxation	**18,230**	26,573
Less: Share of profits of associates	**(18,009)**	(16,612)
	221	9,961
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	**36**	1,743
Tax effect of expenses not deductible for tax purpose	**1,402**	1,483
Tax effect of income not taxable for tax purpose	**(260)**	(660)
Tax effect of tax loses not recognised	**1,496**	—
Effect of tax exemptions granted to PRC subsidiaries	**—**	(439)
Effect of change in tax rate	**(7)**	—
Effect of different tax rates of subsidiaries operating in the PRC	**277**	193
Underprovision in respect of prior year	**382**	1,027
Taxation charge for the year	**3,326**	3,347

Details of deferred taxation are set out in note 17.

9. Dividends

	2008 **HK$'000**	2007 HK$'000
Dividends paid and recognised as distribution during the year:		
2008 Interim — Nil (2007: 2007 Interim — HK2.5 cents) per ordinary share	**—**	7,500
2007 Final — HK3 cents (2007: 2006 Final — HK3 cents) per ordinary share	**9,000**	7,500
2007 Special — HK3 cents (2007: 2006 Special — HK3 cents) per ordinary share	**9,000**	7,500
	18,000	22,500

No interim dividend for the current year was paid or proposed during 2008, nor has any final or special dividend been proposed since the balance sheet date.

10. Earnings Per Share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of HK$4,376,000 (2007: HK$24,535,000) and on the weighted average number of ordinary shares of 300,000,000 (2007: 262,054,795) in issue during the year.

No diluted earnings per share is presented as the Group did not have any potential ordinary shares in issue at any time during the year.

11. Property, Plant and Equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2007	49,323	13,262	19,524	8,648	24,361	489	115,607
Exchange adjustments	3,298	909	1,525	525	1,862	22	8,141
Additions	7,636	395	4,887	2,071	2,969	2,334	20,292
Transfer	802	133	205	—	1,485	(2,625)	—
Disposals	(464)	(165)	(522)	(1,551)	(545)	—	(3,247)
At 31st December, 2007	60,595	14,534	25,619	9,693	30,132	220	140,793
Exchange adjustments	3,868	904	1,557	515	1,797	25	8,666
Additions	—	1,382	2,830	2,209	398	1,446	8,265
Transfer	—	862	149	—	67	(1,078)	—
Disposals	(188)	—	(501)	(1,035)	(127)	—	(1,851)
At 31st December, 2008	64,275	17,682	29,654	11,382	32,267	613	155,873
DEPRECIATION							
At 1st January, 2007	10,860	6,622	11,052	5,258	11,397	—	45,189
Exchange adjustments	705	565	881	273	816	—	3,240
Provided for the year	2,174	2,430	3,026	1,402	1,878	—	10,910
Eliminated on disposals	(244)	(65)	(329)	(1,358)	(219)	—	(2,215)
At 31st December, 2007	13,495	9,552	14,630	5,575	13,872	—	57,124
Exchange adjustments	769	642	958	256	1,134	—	3,759
Provided for the year	2,994	2,699	3,972	1,291	2,259	—	13,215
Eliminated on disposals	(4)	—	(411)	(929)	(113)	—	(1,457)
At 31st December, 2008	17,254	12,893	19,149	6,193	17,152	—	72,641
CARRYING AMOUNTS							
At 31st December, 2008	47,021	4,789	10,505	5,189	15,115	613	83,232
At 31st December, 2007	47,100	4,982	10,989	4,118	16,260	220	83,669

11. Property, Plant and Equipment (Continued)

Certain of the Group's owner-occupied leasehold land located in Hong Kong and the PRC is included in the above land and buildings as the allocation between the land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, and after taking into account their estimated residual values, at the following rates per annum:

Land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	4.5% — 20%
Furniture, fixtures and office equipment	18% — 20%
Motor vehicles	18% — 25%
Plant, machinery and equipment	4% — 18%

The carrying values of land and buildings shown above comprise:

	2008 **HK$'000**	2007 HK$'000
Medium-term leases in Hong Kong	**5,699**	5,861
Medium-term leases in the PRC	**41,322**	41,239
	47,021	47,100

The Group has pledged certain land and buildings in Hong Kong with a carrying amount of approximately HK$2,272,000 (2007: HK$2,348,000) to secure general banking facilities of HK$10,000,000 (2007: HK$10,000,000) granted to the Group.

12. Prepaid Lease Payments

The Group's prepaid lease payments represent land use rights in the PRC held under medium-term lease, and are analysed for reporting purposes as follows:

	2008 **HK$'000**	2007 HK$'000
Non-current asset	**13,885**	13,397
Current asset	**340**	320
	14,225	13,717

13. Interests In Associates

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Unlisted investments, at cost	**178**	178
Share of post-acquisition translation reserve	**7,459**	4,461
Share of post-acquisition profits, net of dividends received	**65,115**	51,606
	72,752	56,245

Details of the Group's associates, which are held by a non-wholly owned subsidiary of the Company, at 31st December, 2008 and 31st December, 2007 are as follows:

Name of associate	Place of incorporation/ operations	Proportion of nominal value of issued capital/ registered capital held by the Group	Principal activity
Chemfield Trading Company Limited	Hong Kong	49%	Inactive
CMW Holding Limited	Hong Kong	45%	Investment holding

Name of subsidiaries of CMW Holding Limited	Place of incorporation or establishment/ operations	Proportion of nominal value of issued capital/ registered capital held by CMW Holding Limited	Principal activities
廣州卡秀堡萬輝塗料有限公司 CMW Coatings (Guangzhou) Limited	PRC	100%	Manufacturing and trading in paints and related products
無錫卡秀堡萬輝塗料有限公司 CMW Coatings (Wuxi) Limited	PRC	100%	Manufacturing and trading in paints and related products
CMW Coatings (Hong Kong) Limited	Hong Kong	100%	Trading in paints and related products

13. Interests In Associates (Continued)

In prior years, the interests in associates were recorded in the consolidated balance sheet based on the Group's effective interests in the share capital of Chemfield Trading Company Limited and CMW Holding Limited.

In 2008, the Group has used the proportion interest of equity held by the Company and its subsidiaries to state the carrying amount of the Group's interests in the net assets of its associates. The respective comparative figures have been restated. The previously stated amounts of interests in associates and minority interests, that are HK$28,685,000 and HK$105,954,000 respectively, have been restated to HK$56,245,000 and HK$133,514,000 respectively.

The summarised financial information in respect of the Group’s associates is set out below:

	2008 **HK$’000**	2007 HK$’000
Total assets	**258,526**	274,351
Total liabilities	**(96,855)**	(149,364)
Net assets	**161,671**	124,987
Group’s share of net assets of associates	**72,752**	56,245
Revenue	**404,037**	332,233
Profit for the year	**40,021**	36,915
Group’s share of profits of associates for the year	**18,009**	16,612

14. Available-for-sale Investments

	2008 & 2007 HK$’000
Unlisted equity securities, at cost	10

The above unlisted investments represent investments in unlisted equity securities issued by a private entity incorporated in Hong Kong. They do not have a quoted market price in an active market and stated at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be reliably measured.

15. Deposit for Acquisition of a Subsidiary

On 5th November, 2007, Smart Million Limited ("Smart Million"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with independent third parties (the "Vendors") for the acquisition of the entire issued share capital of Winfame, which held 99.9999875% of the issued share capital of New Gold which in turn held the entire equity interest in 呼倫貝爾東明礦業有限責任公司 (referred to as "Dong Ming Mining"), a wholly-owned foreign enterprise established in the PRC and engaged in coal mining. An initial refundable deposit of HK$100,000,000 was paid to the Vendors in November 2007. Such deposit is secured by the pledge of the entire issued share capital of Winfame and Winfame's equity interest in New Gold (collectively referred to as the "Shares"). The deposit has been restructured as part of the loans receivable (the "First Loan") (note 16) upon termination of the Agreement during the year.

16. Loans Receivable

In May 2008, Smart Million advanced a loan principal of HK$30,000,000 (the "Second Loan") to Winfame to finance the purchase of plant and machinery in connection with the operation of the coal mines by Dong Ming Mining. The Second Loan is secured by the second mortgage of the Shares, bears interest at 1% per month and is repayable on demand.

In June 2008, Smart Million entered into a supplemental agreement (the "Supplemental Agreement") with the Vendors and other parties to amend, inter alia, certain representations and warranties by the Vendors and the guarantor with respect to the audited profit after tax of Dong Ming Mining for the two years ending 31st December, 2010.

On 27th November, 2008, Smart Million entered into a deed of termination (the "Deed of Termination") with, inter alia, the Vendors, New Gold and Winfame to terminate the Agreement and the Supplemental Agreement and to consolidate and restructure the First Loan, the Second Loan and a further loan to New Gold of HK$25,000,000 plus respective accrued interest (collectively refer to as the "Indebtedness") for a term of two years (extendable for a further period of one year) from the date of the Deed of Termination. The Indebtedness bears interest at 10% per annum and the interest is payable by end of each quarter. At 31st December, 2008, the amount of the Indebtedness is HK$159,055,000 and the Indebtedness is secured by the Shares. Details of the transactions are disclosed in the circular of the Company dated 21st January, 2009.

As part of the conditions to safeguard the recovery by Smart Million of the Indebtedness under the Deed of Termination, Winfame granted to Smart Million a right to convert the Indebtedness into 25% equity interest of New Gold in satisfaction in full of the Indebtedness at Smart Million's sole and absolute discretion at any time within the two-year period during the continuance of the Deed of Termination. The Indebtedness including this conversion right is stated at cost less impairment at the balance sheet date because the range of reasonable fair value estimates of the conversion right is so significant that the directors of the Company are of opinion that the fair value of the conversion right cannot be reliably measured and the conversion right is sufficiently significant to preclude it from obtaining a reliable estimate from the Indebtedness including the conversion right.

17. Deferred Taxation

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

	Difference between tax allowance and depreciation HK$'000	Allowance for trade receivables HK$'000	Total HK$'000
At 1st January, 2007	23	2	25
(Credit) charge to consolidated income statement	(32)	121	89
At 31st December, 2007	(9)	123	114
(Credit) charge to consolidated income statement	55	1	56
Effect of change in tax rate	1	(8)	(7)
At 31st December, 2008	**47**	**116**	**163**

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31st December, 2008, the Group has unused tax losses of approximately HK$9,000,000 (2007: Nil) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$6,000,000 (2007: Nil) that will expire in 2013. Other tax losses may be carried forward indefinitely.

The New Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1st January, 2008 to their non-PRC shareholders. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of one of the Company's PRC subsidiaries amounting to approximately HK$1,222,000 (2007: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

18. Inventories

	2008 HK$'000	2007 HK$'000
Raw materials	**23,328**	26,737
Work in progress	**3,876**	5,444
Finished goods	**2,541**	3,250
	29,745	35,431

19. Trade and Other Receivables

	2008 **HK$'000**	2007 HK$'000
Trade receivables from third parties	**68,753**	81,639
Trade receivables from associates	**10,441**	14,714
Other receivables	**5,402**	6,462
	84,596	102,815

The Group allows an average credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet dates:

	Trade receivables from third parties		**Trade receivable from associates**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
0-30 days	**18,659**	23,699	**1,984**	8,222
31-60 days	**19,694**	26,583	**2,903**	1,679
61-90 days	**15,877**	20,117	**2,704**	1,292
Over 90 days	**14,523**	11,240	**2,850**	3,521
	68,753	81,639	**10,441**	14,714

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$21,624,000 (2007: HK$14,761,000) which were past due at the balance sheet date for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

19. Trade and Other Receivables (Continued)

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

	2008 **HK$'000**	2007 HK$'000
61-90 days	**4,251**	—
91-120 days	**9,830**	9,518
121-150 days	**7,543**	5,243
	21,624	14,761

No interest is charged on the trade receivables. The Group has provided fully for all trade receivables over 360 days because historical experience is such that trade receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days have been provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$4,555,000 (2007: HK$2,980,000) that are considered irrecoverable by management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the ageing of these receivables. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts is as follows:

	2008 **HK$'000**	2007 HK$'000
Balance at the beginning of the year	**2,980**	3,221
Impairment losses recognised	**2,185**	292
Amounts written off as uncollectible	**(610)**	(533)
Balance at the end of the year	**4,555**	2,980

20. Advance to an Associate/Dividend Receivable from an Associate

The amounts are owed by CMW Holding Limited. The advance is unsecured, bears interest at Hong Kong Prime Rate plus 1% per annum and is repayable within the next year.

21. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at prevailing market rate of 1% (2007: 1.5%) per annum.

22. Trade and Other Payables

	2008 **HK$'000**	2007 HK$'000
Trade payables to third parties	**13,586**	34,059
Trade payable to an associate	**35**	4,212
Other payables	**15,818**	15,662
	29,439	53,933

The following is an aged analysis of trade payables at the balance sheet dates:

	Trade payables to third parties		**Trade payable to an associate**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
0-30 days	**4,282**	19,991	**35**	4,212
31-60 days	**8,264**	10,498	—	—
61-90 days	**1,040**	2,706	—	—
Over 90 days	—	864	—	—
	13,586	34,059	**35**	4,212

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

23. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.1 each:		
Authorised:		
At 31st December, 2007 and 31st December, 2008	1,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2007	250,000,000	25,000
Issue of new shares on placement	50,000,000	5,000
At 31st December, 2007 and 31st December, 2008	**300,000,000**	**30,000**

On 21st September, 2007, the Company entered into a placing agreement with a placing agent for placement of 50,000,000 new shares at the price of HK$2.50 per share to independent third parties, representing a discount of 14% to the closing market price of the Company's shares on 20th September, 2007. An arrangement fee of HK$2,949,000 was set-off against share premium. All the shares issued during the year ended 31st December, 2007 ranked pari passu with the then existing shares in all respects.

24. Connected and Related Party Transactions and Balances

During the year, the Group had the following transactions and balances with related companies other than as disclosed in notes 19, 20 and 22:

Relationship	Nature of transactions/balances	2008 HK$'000	2007 HK$'000
Connected and related party:			
Minority shareholder that has significant influence over the Group	Non-trade payable owed by the Group (note b)	—	2,430
Sheffield Chemical Company Limited (note a)	Trade payable owed by the Group (note b)	—	75
Related party:			
CMW Holding Limited	Sales of goods by the Group	**45,131**	38,963
	Management fee income received by the Group	**6,474**	6,783
	Purchases of goods by the Group	**14,296**	11,893
	Licence fee income received by the Group	—	3,195
	Royalty fee income received by the Group	**4,231**	3,807
	Interest income received by the Group	**1,092**	1,333
	Dividend received by the Group	**4,500**	4,500

Notes:

(a) The company was deemed to be a connected party in accordance with the provisions under the Listing Rules as Mr. Yuen Shu Wah, a director of the Company during the year ended 31st December, 2007, had beneficial interest in the company.

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

In addition, the remuneration of directors and other members of key management during the year, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	**6,320**	6,489
Post-employment benefits	**299**	328
	6,619	6,817

25. Non-cash Transaction

During the year, part of loans receivable amounting to HK$100,000,000 was transferred from refundable deposit for acquisition of Winfame as stated in note 15.

26. Balance Sheet of the Company

Details of the balance sheet of the Company as at balance sheet date are as follows:

	Notes	**2008** **HK$'000**	2007 HK$'000
Assets and liabilities			
Investments in subsidiaries		**60,766**	60,766
Amounts due from subsidiaries	(a)	**195,959**	132,456
Deposit and prepayment		**—**	154
Bank balances		**62,520**	141,787
		319,245	335,163
Accruals		**(689)**	(282)
		318,556	334,881
Capital and reserves			
Share capital		**30,000**	30,000
Reserves	(b)	**288,556**	304,881
		318,556	334,881

Notes:

(a) The amounts are unsecured, interest-free and repayable on demand.

26. Balance Sheet of the Company (Continued)

(b) Details of changes in reserves of the Company are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2007	4,242	119,071	18,923	142,236
Issue of new shares on placement	120,000	—	—	120,000
Transaction costs attributable to issue of shares	(2,949)	—	—	(2,949)
Profit for the year	—	—	68,094	68,094
Dividends	—	—	(22,500)	(22,500)
At 31st December, 2007	121,293	119,071	64,517	304,881
Profit for the year	—	—	1,675	1,675
Dividends	—	—	(18,000)	(18,000)
At 31st December, 2008	**121,293**	**119,071**	**48,192**	**288,556**

(c) At 31st December, 2008, the Company had given guarantees to banks in respect of credit facilities granted to subsidiaries to the extent of HK$19,000,000 (2007: HK$19,000,000).

27. Capital Commitments

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	**1,023**	1,043

28. Operating Lease Commitments

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

	2008	2007
	HK$'000	HK$'000
Within one year	**961**	1,650
In the second to fifth year inclusive	**2,231**	2,415
Over five years	**6,913**	6,724
	10,105	10,789

Leases are negotiated and monthly rentals are fixed for terms ranging from 2 to 46 years (2007: 2 to 47 years).

29. Retirement Benefits Schemes

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee. The maximum monthly contribution by the Group is limited to HK$1,000 per employee.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions for both years which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated income statement for the year, is HK$5,123,000 (2007: HK$3,930,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contribution for both years.

30. 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 stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt.

31. Financial Instruments

(a) Categories of financial instruments

	2008 **HK$'000**	2007 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**361,074**	393,367
Available-for-sale investments	**10**	10
Financial liabilities		
Amortised cost	**16,740**	44,333

31. Financial Instruments (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit for acquisition of a subsidiary, loans receivable, advance to an associate, trade and other receivables, dividend receivable from an associate, bank balances, trade and other payables and amounts due to related companies. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

(i) Market risk

Currency risk

Several subsidiaries in the Group have foreign currency transactions, which expose the Group to foreign currency risk.

At the balance sheet date, the carrying amounts of the relevant group entities' foreign currency denominated monetary liabilities are as follows:

	2008	2007
	HK$'000	HK$'000
United States dollars ("USD")	**5**	3,455

As HK$ is pegged with USD, the Group's currency risk in relation to the above monetary assets/liabilities is expected to be minimal.

31. Financial Instruments (Continued)

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

(i) Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans receivable carrying fixed-rate interest. The Group is also exposed to cash flow interest rate risk in relation to the fluctuation of Hong Kong Prime Rate arising from the Group's advance to an associate and bank balances carrying variable-rate interest.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable interest rates for advance to an associate and bank balances at the balance sheet date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2007: 50) basis points higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by approximately HK$122,000 (2007: increase/decrease by HK$71,000).

(ii) Credit risk

As at 31st December, 2008, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Credit sales of products are only made to customers with good repayment history. In addition, the Group reviews the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. A net impairment loss of HK$2,185,000 (2007: HK$1,176,000) in respect of the net trade receivables was recognised by the Group for the year.

31. Financial Instruments (Continued)

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

(ii) Credit risk (Continued)

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

The Group has concentration of credit risk as approximately 13% (2007: 15%) of trade receivables is due from associates, advance of HK$10,000,000 (2007: HK$18,566,000) has been made to an associate and loans receivable of HK$159,055,000 (2007: Nil) is owed to a counterparty at 31st December, 2008.

(iii) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31st December, 2008, the Group has available unutilised overdraft facilities of approximately HK$19,000,000 (2007: HK$19,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flow and carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
2008					
Non-derivative financial liability					
Trade and other payables	—	4,193	8,265	4,282	16,740
2007					
Non-derivative financial liabilities					
Trade and other payables	—	24,655	13,203	3,970	41,828
Amounts due to related companies	—	2,505	—	—	2,505
		27,160	13,203	3,970	44,333

31. Financial Instruments (Continued)

(c) Fair value

The fair values of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

32. Post Balance Sheet Event

Subsequent to the balance sheet date, the Company repurchased 27,140,000 ordinary shares in the Company through the Stock Exchange. The highest and lowest prices paid for such purchases were HK$0.85 and HK$0.84, respectively. The total amount paid to repurchase these shares amounted to approximately HK$23,000,000.

33. Subsidiaries

Details of the Company's subsidiaries at 31st December, 2008 and 31st December, 2007 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/paid up registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Rookwood Investments Limited	BVI/Hong Kong	US$10,000 Ordinary shares	51%	—	Investment holding
Upflow Limited	Hong Kong	HK$1 Ordinary share	100%	—	Provision of management services
Smart Million Limited	BVI/Hong Kong	US$1 Ordinary share	100%	—	Investment holding
Victoryline Limited	BVI	US$1 Ordinary share	100%	—	Inactive
Manfield Coatings Company Limited	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares (note i)	—	51%	Investment holding and trading in paints and related products

33. Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/paid up registered capital	Attributable equity interest held by the Company Directly	Indirectly	Principal activities
Manfield Chemical Limited	Hong Kong	HK$10,000 Ordinary shares	—	51%	Investment holding
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Co, Ltd	PRC (note ii)	US$5,500,000 Paid-up registered capital	—	51%	Manufacture of paints and trading in petrochemical and related products
廣州市彩輝化工有限公司 Champion Chemical (Guangzhou) Company Limited	PRC (note ii)	HK$3,000,000 Paid-up registered capital	—	51%	Manufacture of paints and trading in petrochemical and related products
常州萬輝化工有限公司 Manfield Chemical (Changzhou) Limited	PRC (note ii)	HK$33,600,000 (2007: HK$21,840,000) Paid-up registered capital	—	41% (note iii)	Manufacture of paints and trading in petrochemical and related products
常州萬輝運輸有限公司 Changzhou Manfield Transportation Limited	PRC (note ii)	RMB1,500,000 Paid-up registered capital	—	51%	Provision of transportation services

Notes:

(i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(ii) The companies are registered in the form of wholly foreign owned enterprises.

(iii) 80% equity interest of the company is indirectly held by Rookwood Investments Limited.

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

Financial Summary

	Year ended 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	369,789	349,637	279,133	317,066	**335,697**
Profit from operations	44,789	45,610	24,559	12,952	**221**
Interest expense	(4)	(12)	(2)	—	**—**
Share of profits of associates	10,490	11,591	17,451	16,612	**18,009**
Loss on partial disposal of subsidiary	—	—	—	(2,991)	**—**
Profit before taxation	55,275	57,189	42,008	26,573	**18,230**
Taxation	(4,454)	(5,628)	(13,042)	(3,347)	**(3,326)**
Profit for the year	50,821	51,561	28,966	23,226	**14,904**
Attributable to:					
Equity holders of the Company	50,821	51,561	28,966	24,535	**4,376**
Minority interests	—	—	—	(1,309)	**10,528**
	50,821	51,561	28,966	23,226	**14,904**

	At 31st December,				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	318,461	300,391	309,484	590,179	**565,734**
Total liabilities	(83,450)	(37,191)	(40,874)	(56,438)	**(29,439)**
Shareholders' funds	235,011	263,200	268,610	533,741	**536,295**
Equity attributable to:					
Equity holders of the Company	235,011	263,200	268,610	400,227	**391,168**
Minority interests	—	—	—	133,514	**145,127**
	235,011	263,200	268,610	533,741	**536,295**