2009 Interim Report

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

UNAUDITED RESULTS OF THE GROUP

The Board of Directors ("Directors") of Greenfield Chemical Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2009 together with the comparative figures for the corresponding period in 2008 as follows. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the six months ended 30th June, **2009** **HK$'000** **(Unaudited)**	2008 HK$'000 (Unaudited) (Restated)
Revenue	3	**129,830**	160,941
Cost of sales		**(92,195)**	(140,592)
Gross profit		**37,635**	20,349
Other income		**14,456**	8,644
Distribution and selling expenses		**(10,241)**	(9,283)
Administrative expenses		**(18,060)**	(22,376)
Share of profits of associates		**15,492**	11,151
Profit before taxation	4	**39,282**	8,485
Taxation	5	**(5,718)**	(1,668)
Profit for the period		**33,564**	6,817
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**72**	5,487
Share of translation reserve of associates		**96**	2,943
Other comprehensive income for the period		**168**	8,430
Total comprehensive income for the period		**33,732**	15,247

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Notes	For the six months ended 30th June, 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited) (Restated)
Profit for the period attributable to			
– Owners of the Company		**19,661**	1,835
– Minority interests		**13,903**	4,982
		33,564	6,817
Total comprehensive income attributable to			
– Owners of the Company		**19,794**	6,133
– Minority interests		**13,938**	9,114
		33,732	15,247
Earnings per share, basic	7	**HK7.1 cents**	HK0.6 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

	Notes	At 30th June, 2009 HK$'000 (Unaudited)	At 31st December, 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**78,132**	83,232
Prepaid lease payments		**13,883**	13,885
Interests in associates		**88,340**	72,752
Available-for-sale investments		**10**	10
Loan receivable	9	**159,055**	159,055
Deferred tax assets		**163**	163
		339,583	329,097
Current assets			
Prepaid lease payments		**176**	340
Inventories		**22,491**	29,745
Trade and other receivables	10	**80,938**	84,596
Advance to an associate		**10,298**	10,000
Dividend receivable from an associate		**–**	4,500
Tax recoverable		**4,365**	511
Bank balances and cash		**129,955**	106,945
		248,223	236,637
Current liabilities			
Trade and other payables	11	**31,447**	29,439
Tax payable		**8,929**	–
		40,376	29,439
Net current assets		**207,847**	207,198
Total assets less current liabilities		**547,430**	536,295
Capital and reserves			
Share capital	12	**27,286**	30,000
Reserves		**360,522**	361,168
Equity attributable to owners of the Company		**387,808**	391,168
Minority interests		**159,065**	145,127
Total equity		**546,873**	536,295
Non-current liabilities			
Deferred tax liabilities		**557**	–
Total equity and liabilities		**547,430**	536,295

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	Attributable to owners 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 HK$'000
At 1st January, 2008 (audited)	30,000	121,293	32,000	9,042	5,769	202,123	400,227	133,514	533,741
Exchange difference arising from translation of foreign operations	–	–	–	2,797	–	–	2,797	2,690	5,487
Share of translation reserve of associates	–	–	–	1,501	–	–	1,501	1,442	2,943
Profit for the period	–	–	–	–	–	1,835	1,835	4,982	6,817
Total comprehensive income for the period	–	–	–	4,298	–	1,835	6,133	9,114	15,247
Dividends recognised as distribution (note 6)	–	–	–	–	–	(18,000)	(18,000)	–	(18,000)
Dividends paid to minority interests of a subsidiary	–	–	–	–	–	–	–	(3,920)	(3,920)
At 30th June, 2008 (unaudited)	30,000	121,293	32,000	13,340	5,769	185,958	388,360	138,708	527,068
At 1st January, 2009 (audited)	30,000	121,293	32,000	13,607	5,769	188,499	391,168	145,127	536,295
Exchange difference arising from translation of foreign operations	–	–	–	62	–	–	62	10	72
Share of translation reserve of associates	–	–	–	71	–	–	71	25	96
Profit for the period	–	–	–	–	–	19,661	19,661	13,903	33,564
Total comprehensive income for the period	–	–	–	133	–	19,661	19,794	13,938	33,732
Shares repurchased and cancelled	(2,714)	(20,440)	–	–	–	–	(23,154)	–	(23,154)
At 30th June, 2009 (unaudited)	27,286	100,853	32,000	13,740	5,769	208,160	387,808	159,065	546,873

Notes:

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

(b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the 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 until the transferred amount met 50% of the registered capital of these PRC subsidiaries. No transfer was noted for both periods, as the PRC subsidiaries had already transferred an amount equal to 50% of its relevant registered capital to non-distributable reserve in prior years or no profit after taxation was generated for the periods.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

	For the six months ended 30th June, 2009 HK$'000 (Unaudited)	2008 HK$'000 (Unaudited) (Restated)
Net cash from operating activities	**38,132**	4,572
Net cash from (used in) investing activities		
New loan receivable granted	**–**	(30,000)
Purchase of property, plant and equipment	**(721)**	(4,677)
Interest received	**8,365**	1,760
Dividend received from an associate	**–**	4,500
Proceeds from disposal of property, plant and equipment	**374**	100
	8,018	(28,317)
Cash used in financing activities		
Dividends paid	**–**	(18,000)
Dividends paid to minority shareholders of subsidiary	**–**	(3,920)
Payment on repurchase of shares	**(23,154)**	–
	(23,154)	(21,920)
Net increase (decrease) in cash and cash equivalents	**22,996**	(45,665)
Cash and cash equivalents at the beginning of the period	**106,945**	173,948
Effect of foreign exchange rate changes	**14**	615
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**129,955**	128,898

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Certain comparative financial information is reclassified to conform with the current period's presentation.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention.

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2008. In addition, the Group has applied the following accounting policy for shares repurchase during the current interim period.

Shares repurchase

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2009.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing cost
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation

HKAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure.

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 "Segment reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 27 (Revised in 2008)	Consolidated and separate financial statement[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first time adopters[3]
HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised in 2008)	Business combinations[1]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC) – INT 18	Transfer of assets from customers[4]

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

The adoption of HKFRS 3 (Revised in 2008) may affect the Group's accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised in 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, represented by the Directors, in order to allocate resources to segments and to assess their performance. The Group is principally engaged in manufacturing of paints and trading in petrochemical and related products. The Group's chief operating decision maker make its decision on allocation of resources and assessment of performance based on the location of customers, which is the same as the geographical segment (based on location of customers) previously disclosed under HKAS 14. Therefore, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

2009

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External sales	43,082	86,748	129,830
RESULTS			
Segment results	6,401	15,269	21,670
Interest income			8,365
Management fee income			1,725
Royalty fee income			1,707
Central administration costs			(9,677)
Share of profits of associates			15,492
Profit before taxation			39,282

3. SEGMENT INFORMATION (Continued)

2008

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External sales	95,005	65,936	160,941
RESULTS			
Segment results	2,487	1,479	3,966
Interest income			1,760
Management fee income			2,722
Royalty fee income			1,822
Central administration costs			(12,936)
Share of profits of associates			11,151
Profit before taxation			8,485

Segment results represent the profit or loss earned by each segment without allocation of interest income, management fee income, royalty fee income, unallocated central administration cost and share of profits of associates. This is the measure reported to the Directors for the purpose of resource allocation and performance assessments.

4. PROFIT BEFORE TAXATION

	For the six months ended 30th June,	
	2009	2008
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**176**	170
Depreciation of property, plant and equipment	**5,588**	5,765
(Gain) loss on disposal of property, plant and equipment	**(94)**	183
Share of taxation of associates (included in share of profits of associates)	**2,122**	2,060
Net foreign exchange gain	**(5)**	(2,086)
Interest income on:		
Advance to an associate	**(298)**	(613)
Bank deposits	**(180)**	(586)
Loan receivable	**(7,887)**	(561)

5. TAXATION

	For the six months ended 30th June,	
	2009	2008
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax – current period	**1,902**	1,119
PRC Income Tax		
Current period	**3,358**	468
(Over) under provision in prior period	**(99)**	81
	3,259	549
Deferred tax – current period (Note)	**557**	–
	5,718	1,668

Note: For the period ended 30th June, 2009, the Group recognised deferred tax of HK$557,000 in respect of the temporary difference attributable to the undistributed retained profits earned by certain of the Company's associates in the PRC.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. These PRC subsidiaries continue to enjoy their tax holiday during the period.

5. TAXATION (Continued)

The newly promulgated Enterprise Income Tax Law (''Tax 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 Tax Law and have an impact on certain of the Company's PRC subsidiaries. The Company has certain PRC subsidiaries which previously enjoyed the preferential tax policies in the form of a reduced tax rate. These subsidiaries will have five years from the time when the Tax Law takes effect to transition progressively to the legally prescribed tax rate of 25%. These PRC subsidiaries that previously enjoyed the 15% tax rate are subject to the 18% tax rate from 1st January, 2008, and will be subject to the 20% tax rate for the financial year 2009, 22% tax rate for the financial year 2010, 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012. For those PRC subsidiaries which previously enjoyed the 24% tax rate are subject to the 25% tax rate starting from 1st January, 2008.

In the previous years, the Inland Revenue Department 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. 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 the previous year and the remaining amount of tax reserve certificates of HK$1,001,000 (31st December, 2008: HK$1,001,000) was included in tax recoverable as at the balance sheet date. In the opinion of the Directors, the ultimate outcome of the additional assessment remains undetermined and the Group will continue to defend vigorously against the additional assessment.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the Company's PRC subsidiaries starting from 1st January, 2008 under the Tax Law that requires withholding tax upon the distribution of such profits to the shareholders as, in the opinion of the Directors, 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.

6. DIVIDENDS

	For the six months ended 30th June,	
	2009 **HK$'000**	2008 HK$'000
Dividends paid and recognised as distribution during the period:		
2008 Final – nil (six months ended 30th June, 2008: 2007 Final – HK3 cents) per ordinary share	–	9,000
2008 Special – nil (six months ended 30th June, 2008: 2007 Special – HK3 cents) per ordinary share	–	9,000
	–	18,000

The Directors do not recommend the payment of interim dividend for both periods.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company for the period is based on the profit attributable to owners of the Company for the period of HK$19,661,000 (six months ended 30th June, 2008: profit of HK$1,835,000) and on 276,623,177 shares (six months ended 30th June, 2008: 300,000,000 shares) in issue throughout the period.

No diluted earnings per share is presented as the Company did not have any potential ordinary shares in issue at any time during the current and prior periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$721,000 (six months ended 30th June, 2008: HK$4,677,000) on acquisition of property, plant and equipment.

In addition, during the current period, the Group disposed of certain of its property, plant and equipment with a carrying amount of approximately HK$280,000 (six months ended 30th June, 2008: HK$283,000) for proceeds of approximately HK$374,000 (six months ended 30th June, 2008: HK$100,000).

9. LOAN RECEIVABLE

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 Investments Limited ("Winfame"), which held 99.9999875% of the issued share capital of New Gold International Limited ("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 was restructured as part of the loans receivable (the "First Loan") upon termination of the Agreement during the year ended 31st December, 2008.

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 totalling HK$4,055,000 (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 30th June, 2009 and 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.

9. LOAN RECEIVABLE (Continued)

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 end of the reporting period because the range of reasonable fair value estimates of the conversion right is so significant that the Directors are of opinion that the fair value of the conversion right cannot be reliably measured and the conversion right component of the Indebtedness is sufficiently significant to preclude them from obtaining a reliable estimate of the fair value of the entire instrument (i.e. the Indebtedness including the conversion right).

10. TRADE AND OTHER RECEIVABLES

	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000
Trade receivables from third parties	**70,493**	68,753
Trade receivables from associates	**4,771**	10,441
Other receivables	**5,674**	5,402
	80,938	84,596

The Group allows a credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the end of the reporting period:

	Trade receivables from third parties		**Trade receivables from associates**	
	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000	**At 30th June, 2009 HK$'000**	At 31st December, 2008 HK$'000
0 – 30 days	**23,833**	18,659	**1,287**	1,984
31 – 60 days	**20,597**	19,694	**1,243**	2,903
61 – 90 days	**12,983**	15,877	**1,056**	2,704
Over 90 days	**13,080**	14,523	**1,185**	2,850
	70,493	68,753	**4,771**	10,441

11. TRADE AND OTHER PAYABLES

	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000
Trade payables to third parties	**22,105**	13,586
Trade payables to an associate	**674**	35
Other payables	**8,668**	15,818
	31,447	29,439

The following is an aged analysis of trade payables at the end of the reporting period:

	Trade payables to third parties		**Trade payables to an associate**	
	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000	**At 30th June, 2009 HK$'000**	At 31st December, 2008 HK$'000
0 – 30 days	**9,413**	4,282	**674**	35
31 – 60 days	**11,968**	8,264	**–**	–
61 – 90 days	**561**	1,040	**–**	–
Over 90 days	**163**	–	**–**	–
	22,105	13,586	**674**	35

12. SHARE CAPITAL

	Number of shares	**Amount** HK$'000
Ordinary shares of HK$0.1 each:		
Authorised:		
At 31st December, 2008 and 30th June, 2009	1,000,000,000	100,000
Issued and full paid:		
At 1st January, 2009	300,000,000	30,000
Share repurchased and cancelled	(27,140,000)	(2,714)
At 30th June, 2009	272,860,000	27,286

12. SHARE CAPITAL (Continued)

During the current period, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
January 2009	27,140,000	0.85	0.84	23,043,700

The above shares were cancelled upon repurchase.

13. OPERATING LEASE COMMITMENTS

At the end of the reporting period, 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:

	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000
Within one year	**433**	891
In the second to fifth year inclusive	**32**	80
	465	971

Leases are negotiated and monthly rentals are fixed for terms of two years.

14. CAPITAL COMMITMENTS

	At 30th June, 2009 HK$'000	At 31st December, 2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements	**40**	1,023

15. PLEDGE OF ASSETS

At 30th June, 2009, the Group pledged certain land and buildings in Hong Kong with a carrying value of approximately HK$2,241,000 (31st December, 2008: HK$2,272,000) to a bank to secure general banking facilities granted to the Group.

16. RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with the associates:

Nature of transactions	For the six months ended 30th June, 2009 HK$'000	2008 HK$'000
Sales of goods by the Group	**14,517**	16,195
Management fee income received by the Group	**1,725**	2,722
Purchases of goods by the Group	**2,991**	2,274
Royalty fee income received/receivable by the Group	**1,707**	1,822
Interest income received/receivable by the Group	**298**	613
Rental income received/receivable by the Group	**801**	110

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

	For the six months ended 30th June, 2009 HK$'000	2008 HK$'000
Short-term benefits	**1,044**	1,080
Retirement benefits scheme contribution	**18**	12
	1,062	1,092

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June, 2009, the Group's turnover decreased by 19% to HK$129,830,000 (2008: HK$160,941,000). However, the profit for the period attributable to shareholders increased by 971% to HK$19,661,000 (2008: HK$1,835,000) and the earnings per share was HK7.1 cents (2008: HK0.6 cents).

As at 30th June, 2009, the net asset value per share attributable to equity holders was HK$1.42 (31st December, 2008: HK$1.30).

Dividend

The Directors do not recommend the payment of a dividend for the six-months ended 30th June, 2009 (2008: nil).

Review of Operations

The global financial tsunami in the late of 2008 hit the global economy badly and the demand for paints and petrochemical and related products dropped inevitably during the first half of 2009. In response to the deteriorating business conditions, the Group successfully consolidated its relationship with customers by providing better services, enhancing product quality and increasing the sale of high-yield products. In light of implementation of the policies by the management and decrease in price of crude oil, prices of other key raw materials and labour cost, the gross profit increased by 85% to HK$37,635,000 (2008: HK$20,349,000). Combined with contribution of interest income of the loan receivable arising from consolidation and restructuring of debts as announced on 5th December, 2008, the profit for the period attributable to shareholders substantially increased by 971% to HK$19,661,000 (2008: HK$1,835,000).

During the period under review, 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 per share to HK$0.85 per share for a total consideration of HK$23,043,700. At the balance sheet date, the net asset value per share attributable to shareholders of the Company was HK$1.42, therefore, such repurchase led to an enhancement of the net asset value per share and earnings per share of the Company where the Directors considered it to be in the best interests of the Company.

Outlook

In view of the escalating awareness of environment protection, the demand for environmental-friendly and high quality products increases. In order to meet the market requirement, the Group continues to improve product quality, increase the sale in high-yield products and introduce innovation to the products.

There are cautious signs that the global economy is recovering from the financial tsunami but the business environment in the second half of 2009 and the year 2010 remains to be challenging. However, having a strong and healthy financial position, the Group is confident in its future business development and will continue to search for good investment opportunities in order to maximize returns for shareholders.

Financial Resources, Borrowings and Capital Structure

As at 30th June, 2009, the Group's non-current assets amounted to HK$339,583,000 (31st December, 2008: HK$329,097,000) and net current assets amounted to HK$207,847,000 (31st December, 2008: HK$207,198,000) with a current ratio of 6.1 (31st December, 2008: 8.0) calculated on the basis of the Group's currents assets over current liabilities.

During the period under review, the Group had no borrowings outstanding and with sufficient cash surplus generated from its operations and maintained a satisfactory financial position derived from its business. As at 30th June, 2009, the Group had bank balances and cash of HK$129,955,000 (31st December, 2008: HK$106,945,000).

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 the Renminbi in recent year, the Group will monitor the situation closely and will introduce suitable measures if there are likely to be any changes.

Employees and Remuneration Policies

As at 30th June, 2009, the Group had around 1,150 full-time employees. They included management and administrative staff and production workers. Most were stationed in Mainland China, while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

Change in Control of the Company and Mandatory General Offer

On 4th September, 2009, True Focus Limited (the "**Offeror**", which is a wholly owned subsidiary of COL Capital Limited ("**COL**")) has entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Jumbo Hill Group Limited ("**Jumbo Hill**") and Mulpha Strategic Limited ("**Mulpha Strategic**") (collectively the "**Vendors**"), Mulpha International Bhd as the Vendors' guarantor and COL as the Offeror's guarantor, pursuant to which the Vendors agreed to dispose of and the Offeror agreed to acquire the 10,000 shares (the "**Sale Shares**") in Pacific Orchid Investments Limited ("**Pacific Orchid**") registered in the name of and beneficially owned by the Vendors (as to 6,800 shares owned by Mulpha Strategic and 3,200 shares owned by Jumbo Hill), representing the entire issued share capital of Pacific Orchid for a consideration of HK$281.25 million. The Sale Shares represent the entire issued share capital of Pacific Orchid. Pacific Orchid is the holder and beneficial owner of 187,500,000 shares of the Company, representing approximately 68.72% of the issued share capital of the Company. Completion of the Sale and Purchase Agreement has taken place immediately after the signing of the Sale and Purchase Agreement.

The Offeror is now indirectly owns in aggregate 187,500,000 shares of the Company, representing approximately 68.72% of the entire issued share capital of the Company. Therefore, the Offeror is required under Rule 26.1 of Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**") to make a mandatory general cash offer to acquire all the issued shares of the Company not already owned or agreed to be acquired by the Offeror or parties acting in concert with it. Accordingly, the Offeror will make a mandatory general offer (the "**Offer**") at the price of HK$1.50 per ordinary share of the Company for all the shares in the Company not already owned or agreed to be acquired by the Offeror or parties acting in concert with it and there are 85,360,000 shares in the Company subject to the Offer.

An independent board committee of the Company will be formed to advise the shareholders of the Company in respect of the Offer and approve the appointment of an independent financial adviser which will advise the independent board committee in respect of the Offer.

Pursuant to the Takeovers Code, the Offeror is required to despatch to the shareholders of the Company the offeror document containing, among others, details of the Offer and form of acceptance and transfer for the Offer Shares and the Company is required to send the offeree document in relation to the Offer to the shareholders of the Company. However, it is the intention of the Offeror and the Company that the document will be jointly despatched by the Offeror and the Company to the shareholders of the Company in respect of the Offer as soon as practicable pursuant to the requirements of the Takeovers Code.

DIRECTORS' INTERESTS

At 30th June, 2009, 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 (the "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	2.38%

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

The interests stated above represent long positions. Save as disclosed above, none of the Directors 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 30th June, 2009.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that 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 the Issued Share Capital of the Company
Mulpha International Bhd. ("MIB")	Held by controlled corporation (Note)	187,500,000	68.72%
Mulpha Strategic Limited ("MSL")	Held by controlled corporation (Note)	187,500,000	68.72%
Pacific Orchid Investments Limited ("Pacific Orchid")	Beneficial owner	187,500,000	68.72%

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 ("Jumbo Hill"), a wholly-owned subsidiary of MSL. Therefore, each of MIB and MSL was deemed to be interested in the shares held by Pacific Orchid as at 30th June, 2009. As disclosed in "Change in Control of the Company and Mandatory General Offer" under the section of Management Discussion and Analysis, MSL and Jumbo Hill disposed all interests in Pacific Orchid to True Focus Limited, which is a wholly owned subsidiary of COL Capital Limited, on 4th September, 2009.

All the interests stated above represent long positions. Save 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 30th June, 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company repurchased 27,140,000 ordinary shares in the Company through The Stock Exchange of Hong Kong Limited. The highest and lowest prices paid for such repurchases were HK$0.85 per share and HK$0.84 per share respectively. The aggregate consideration paid to repurchase these shares amounted to HK$23,043,700.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30th June, 2009.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2009, 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

Code provisions A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

The Company does not fully comply with code provisions A.4.1. The existing non-executive directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years 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 of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transaction by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended on 30th June, 2009.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises Mr. Lau Siu Ki, Mr. Wu Wing Kit and Dr. Chui Hong Sheung, the independent Non-executive Directors of the Company. The Audit Committee has reviewed with the management in relation to the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended on 30th June, 2009.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Lau Yau Cheung and Mr. Tsui Robert Che Kwong as Executive Directors; Mr. Chung Tze Hien and Mr. Ng Seng Nam as Non-Executive Directors; Mr. Lau Siu Ki, Mr. Wu Wing Kit and Dr. Chui Hong Sheung, JP as Independent Non-Executive Directors.

By Order of the Board
Lau Yau Cheung
Executive Director

Hong Kong, 17th September, 2009