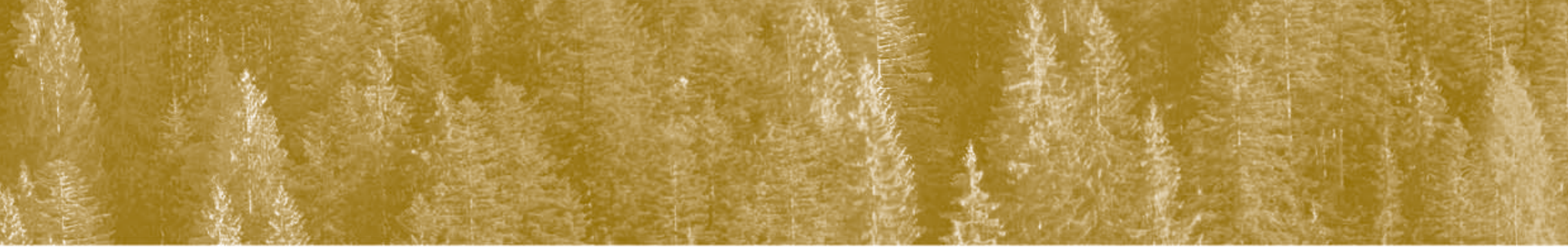
中國興業控股有限公司

China Investments Holdings Limited | Annual Report 2009

(Incorporated in Bermuda with limited liability)

(Stock Code: 132)



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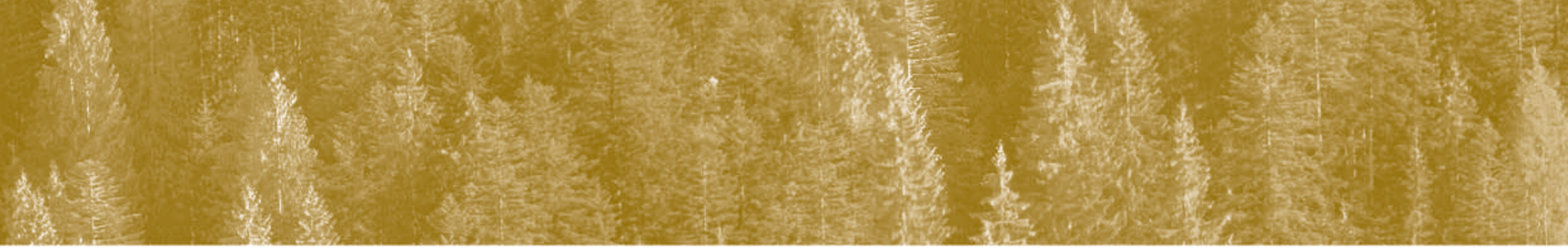


CORPORATE INFORMATION

Executive Directors	You Guang Wu *(Chairman)* Su Wenzhao *(Managing Director)* Wang Jin Yuan
Independent Non-executive Directors	Chan Kwok Wai Chen Da Cheng Deng Hong Ping
Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal Place of Business	Unit 601, Tsim Sha Tsui Centre 66 Mody Road Tsimshatsui Kowloon, Hong Kong
Share Registrars	Butterfield Fund Services (Bermuda) Limited Rosebank Centre 11 Bermudiana Road Pembroke Bermuda
Branch Share Registrars	Tricor Progressive Limited 26/F Tesbury Centre 28 Queen's Road East Hong Kong
Principal Bankers	Bank of China Bank of Communications Wing Hang Bank Ltd.
Solicitors	Woo, Kwan, Lee & Lo Guangdong Weonline Law Firm
Auditors	HLM & Co. *Certified Public Accountants*
Secretary	Lo Tai On
Stock Code	132
Website	http://chinainvestments.quamir.com

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

In response to business adversities under the financial tsunami, the Company has adopted flexible measures to strengthen management and control costs. The operational efficiency in the second half of the year has been improved when compared with the first half of the year. However, an operating loss was registered in 2009 annual results given that a significant provision is required to be made for the revaluation of property and equipment. As at 31 December 2009, the Group's turnover amounted to HK$413,730,000, representing a decrease of 12.4% over last year. Operating loss was HK$42,029,000, of which, net impairment loss arising from the revaluation of property and equipment amounted to HK$52,655,000.

Fibreboard Business

Owing to the global economic downturn, the medium density fibreboard market was oversupplied. As a result, there were declines in both the production and sales of medium density fibreboard. As at 31 December 2009, total production volume of medium density fibreboard amounted to 299,130 cubic metres, down 11.9% from last year and total sales volume of medium density fibreboard amounted to 301,649 cubic metres, down 8.6% from last year. Total sales amounted to HK$388,702,000, down 13.1% from last year. In the face of the abovementioned adversities, the management has exercised a stringent control over procurement and production costs and placed an emphasized focus on technological advancement and innovation in order to reduce costs, enhance quality and boost efficiency. As a consequence, the consolidated gross profit margin grows from 1.81% in 2008 to 9.85%, realizing an annual operating profit of HK$25,323,000, which is a sharp surge of 89.9% over last year.

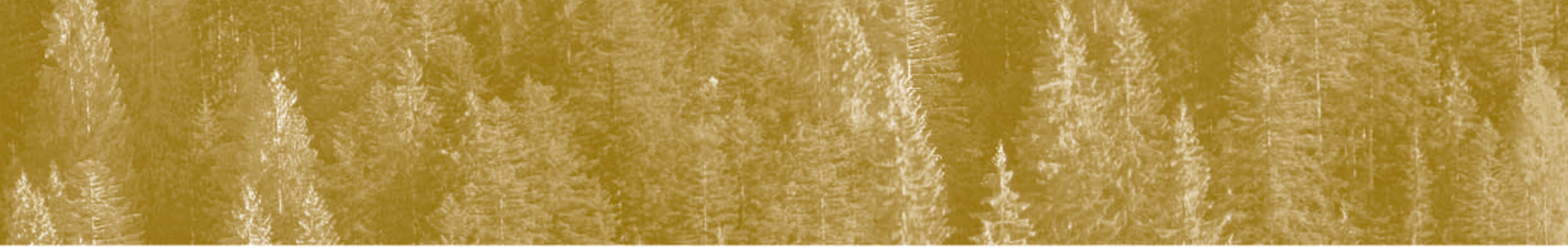
In light of prolonged slowdown in the veneers market, the Board of Directors has decided that we will no longer restart manufacturing veneers products, but will rationalize our operation and production. Accordingly, production equipment of low efficiency will be cleared up, retired and impaired. Therefore, an impairment of HK$30,785,000 was recorded in respect of revaluation of the production equipment during the period and resulted in a loss of HK$5,462,000 in fibreboard business.

Hotel Business

Amid the devastating consequences of global financial turmoil and H1N1 influenza, number of foreign tourists in Guilin dropped remarkably. To keep abreast of prevailing market changes, the management of the hotel operation has swiftly adjusted structure of client mix and reinforced marketing efforts in exploring into market of domestic guests and conference clients. In light of this, number of domestic guests in 2009 doubled over last year's figure, while number of conference clients rose by almost 50% over the previous year. The annual average occupancy rate increased by 4.68% to 63.6%. Nevertheless, due to adjustment in structure of client mix, loss of high-spending tourists and intensifying market competition, average hotel room rates in 2009 declined by 16.9% over last year. The annual turnover decreased by 1.1% to HK$23,894,000. Operating loss was HK$4,669,000.

Property Investment

The Group's annual rental income for 2009 amounted to HK$1,135,000, which was an increase of 6.9% over last year. Property occupancy rate was 53.4%, representing an improvement of 16.2% over last year.



CHAIRMAN'S STATEMENT (Continued)

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2009, the Group had total assets of HK$686,907,000 (31 December 2008: HK$767,877,000). The Group had no bank loan and other long-term debts (31 December 2008: HK$22,727,000). Net assets value amounted to HK$509,367,000 (31 December 2008: HK$580,313,000). The decrease in net assets value over last year was mainly because of the total net impairment loss arising from the revaluation of the hotel property, investment properties, properties held for sales and equipment. Gearing ratio (being bank loans and long-term debts divided by total assets) was 0% (31 December 2008: 2.96%). Net assets per Share amounted to HK42.86 cents (31 December 2008: HK48.83 cents).

The Group's net current assets amounted to HK$132,774,000 (31 December 2008: HK$140,280,000). Current ratio (being current assets divided by current liabilities) was approximately 1.75 times (31 December 2008: 1.75 times), while bank deposits and cash amounted to HK$115,888,000 (31 December 2008: HK$110,993,000), which is sufficient to meet capital requirements of the Group's operations and development in the near future.

PLEDGE OF ASSETS

As at 31 December 2009, the carrying value of land use rights of HK$14,108,000 (2008: HK$14,478,000) has been pledged for application of banking facilities (2008: short term bank loan of HK$22,727,000).

FOREIGN EXCHANGE EXPOSURE

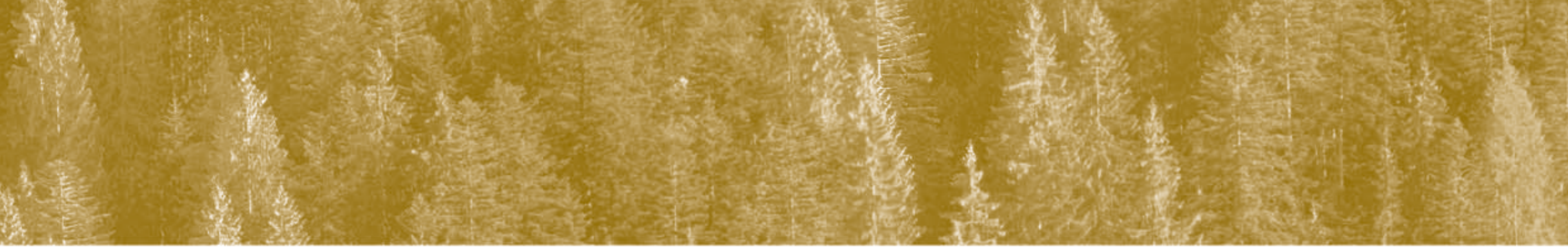
The Group mainly earned revenue and incurred cost in Renminbi and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would offset each other in the business operation of the Group. Over the past few years, the exchange rate of Renminbi to Hong Kong Dollars kept on increasing till the second half of 2008 when it became stable. The Directors expect that the exchange rate of Renminbi will remain stable and will not impose material and adverse foreign exchange risk on the Group. Accordingly, the Group currently has no specific needs to hedge against any foreign exchange risk in this regard.

OUTLOOK

In the past year, the Group is well positioned to sustain a business growth in the coming year by taking great leaps in developing environmentally-friendly fiberboard, expanding overseas fiberboard markets, as well as renovating and upgrading the hotel hardware engineering. In 2010, the Group will continue to develop a range of environmentally-friendly value-added products, actively explore international markets and expand sales channels, with a view to capturing greater market share. While the global economy is reviving from the dark cloud of trough, there are still some uncertainties such as the unsteady market in Europe and United States together with PRC real estate bubble. Notwithstanding of those, as the international economy will grow steadily and China's macroeconomic conditions will continue to improve, it is expected that the operating environment in 2010 is relatively embedded with tremendous development opportunities. The Group is, therefore, prudently optimistic about its business development in the next year.

YOU GUANG WU
Chairman

Hong Kong, 11 March 2010



CORPORATE GOVERNANCE REPORT

China Investments Holdings Limited (the "Company") puts great emphasis on corporate governance which is reviewed and strengthened on a continued basis and is committed to maintaining the high standard of corporate governance. The board of directors (the "Board") and management maintain and enhance the policies and practices of the Company in a timely, transparent, effective and responsible manner, so as to maintain good, solid and reasonable corporate governance. The Board believes that the Company and shareholders as a whole can derive maximum benefits from good corporate governance.

The Company has adopted all the code provisions under the "Code on Corporate Governance Practice" (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as its own code on corporate governance practice. For the year ended 31 December 2009, the Company has complied with all code provisions under the Code.

GOVERNANCE STRUCTURE

The Company's corporate governance structure includes the Board and two committees under the Board, namely audit committee and remuneration committee. The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

BOARD MEMBERS

The Board comprises six directors, including three executive directors who have extensive experience in the Company's business, and three independent non-executive directors who possess appropriate professional qualifications.

Executive Directors
Mr. You Guang Wu *(Chairman)*
Mr. Su Wenzhao *(Managing Director)*
Mr. Wang Jin Yuan

Independent Non-executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

All independent non-executive directors of the Company have complied with the requirements of the Listing Rules and have presented annual confirmations of independence issued pursuant to Rule 3.13 of the Listing Rules to the Company. The board has assessed their independence and confirms that all independent non-executive directors are independent parties as defined in the Listing Rules. The current term of office of Mr. Chan Kwok Wai and Mr. Chen Da Cheng is two years and will expire on 21 September 2010. The current term of office of Mr. Deng Hong Ping is two years and will expire on 5 April 2010. They are subject to the retirement and re-election requirements of the bye-laws of the Company.

Individual information and responsibilities of all directors are contained in this annual report on pages 13 to 15.

There are no business, financial, family and other relevant interests among directors.

THE OPERATION OF THE BOARD

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the managing director, the management is responsible for implementing the strategies and plans developed by the Board.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

The Board convenes at least four regular meetings each year (approximately one each quarter) and will convene meetings when necessary. When a regular board meeting is convened, the Board documents will be sent to directors for review before the meeting pursuant to the Listing Rules and the provisions so that directors can keep abreast of the information to perform their duties and responsibilities.

All members of the Board have actively participated in the Company's Board meetings to discuss the overall strategy and business of the Group. The Board convened 6 meetings in 2009. The attendance of directors is as follows:

Director Name	**Number of meetings attended/held**	**Attendance Rate**
Executive directors		
You Guang Wu *(Chairman)*	6/6	100%
Su Wenzhao *(Managing Director)*	4/5	80%
Wang Jin Yuan	6/6	100%
Leung Siu Fai	2/2	100%
Kam Hung Chung	2/2	100%
Independent non-executive directors		
Chan Kwok Wai	6/6	100%
Chen Da Cheng	6/6	100%
Deng Hong Ping	6/6	100%

Note: On 20 January 2009, Mr. Su Wenzhao was appointed as an executive director of the Company. On 26 February 2009, Mr. Leung Siu Fai resigned as an executive director and chairman of the Board and Mr. Kam Hung Chung resigned as an executive director and managing director of the Company. Mr. You Guang Wu was appointed as chairman of the Board and Mr. Su Wenzhao was appointed as managing director of the Company.

The remuneration of directors is determined with reference to their functions and responsibilities in the Company, the performance of the Company and current market conditions. Any director is not allowed to participate in determining his own remuneration. The remuneration received by directors from the Group during the year is set out in note 11 of the financial statements.

The Board has set up an independent professional consulting procedure and upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

ROLES AND DUTIES OF CHAIRMAN AND MANAGING DIRECTOR

The chairman and the managing director have different roles. The chairman is responsible for the operation of the Board and the managing director is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Mr. Leung Siu Fai and Mr. Kam Hung Chung were the chairman and the managing director of the Company respectively until 26 February 2009. With effective from that date, the chairman and the managing director of the Company were Mr. You Guang Wu and Mr. Su Wenzhao respectively.

The chairman of the Board is principally responsible for leading the Board and ensures the Board acts in the best interests of the Company. The chairman shall ensure the Board operates effectively and performs its proper duties and discusses all important and proper matters in a timely manner. The chairman is responsible for convening board meetings, consulting, determining and approving the agenda of each board meeting, and ensuring that directors are provided sufficient information on current matters in a timely manner. The chairman is also responsible for the reviewing structure, number of members and composition of the Board on a regular basis and makes recommendations to the Board on any intended changes. The chairman is also responsible for ensuring that the Company formulates good corporate governance practice and procedure.

The managing director is principally responsible for the daily operation and management of the Group's overall operations and implementing the Board's operating strategy and policy and delegating tasks to all departments for implementation so as to realize the Board's objectives and decisions. In addition, he is also responsible for coordinating close cooperation among all departments, uniting efforts of staff and encouraging the initiative of staff so as to ensure smooth and effective operation of the Company's operations and systems.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules of The Stock Exchange of Hong Kong Limited as the code of conduct regarding securities transactions by directors. On specific enquiries made, all directors have confirmed that, in respect of the year ended 31 December 2009, they have complied with the required standard as set out in the Model Code.

CORPORATE GOVERNANCE REPORT (Continued)

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors with extensive experience in accounting or legal matters. The audit committee is mainly responsible for reviewing the financial statements and annual reports and accounts of the Company, submitting relevant reports and recommendations to the Board, and making recommendations on the appointment and remuneration of the auditors of the Company and any matters related to the termination of appointment. Mr. Chan Kwok Wai is the chairman of the audit committee and is responsible for reporting the meeting results and recommendations of the audit committee to the Board after each meeting.

In 2009, the audit committee convened two meetings. Members and their attendance are as follows:

Member Name	Number of meetings attended/held	Attendance Rate
Chan Kwok Wai *(Chairman of audit committee)*	2/2	100%
Chen Da Cheng	2/2	100%
Deng Hong Ping	2/2	100%

Tasks undertaken by the audit committee during the year included reviewing the 2008 audited financial statements and the annual results announcement, reviewing the interim report for the six months ended 30 June 2009 and the interim results announcement, considering the accounting standards adopted, overseeing the financial control, internal control and risk management system, reviewing the management letter about audit submitted by the auditors to the management and the response of the management, the basis of opinion made by the auditors in their report.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and two executive directors. The remuneration committee is principally responsible for reviewing and approving remuneration plans for directors and senior management, determining the remuneration package of executive directors and senior management, including benefits, pension interests and the payment of compensation. Mr. Chen Da Cheng is the chairman of the remuneration committee and is responsible for reporting the meeting results and recommendations of the remuneration committee to the board after each meeting.

In 2009, the remuneration committee convened four meetings. Members and their attendance are as follows:

Member Name	Number of meetings attended/held	Attendance Rate
Chen Da Cheng *(Chairman of the remuneration committee)*	4/4	100%
Chan Kwok Wai	4/4	100%
Deng Hong Ping	4/4	100%
You Guang Wu	3/3	100%
Su Wenzhao	2/3	67%
Leung Siu Fai	1/1	100%
Kam Hung Chung	1/1	100%

Note: On 26 February 2009, Mr. Leung Siu Fai and Mr. Kam Hung Chung ceased to be the members of the remuneration committee and Mr. You Guang Wu and Mr. Su Wenzhao were appointed as members of the remuneration committee.

Tasks undertaken by the remuneration committee during the year included reviewing the bonus system of the Group, fixing the remuneration of executive directors and senior management and considering the incentive payment for the year ended 2008 and making recommendations to the Board. The remuneration committee also ensures that no director or senior management member determines his own remuneration.

The remuneration policy of the Group is to determine the remuneration based on the responsibilities, qualifications and working performance of staff (including directors). In addition, the Group has adopted the share option scheme on 20 May 2003. Currently, the Group has not granted any share options.

DIRECTOR NOMINATION

Pursuant to the bye-laws of the Company, the Board is entitled to appoint any person as director from time to time or at any time to fill a casual vacancy or add a new board member. For nomination, the nominee's qualifications, capabilities and potential to make contribution to the Company shall be taken into consideration. The Board has not established the nomination committee at the moment. However, the Board will assess from time to time whether there is a need to establish the nomination committee to deal with the appointment, re-election and retirement of directors.

On 20 January 2009, Mr. Su Wenzhao was appointed as executive director. In addition, with effect from 26 February 2009, (a) Mr. Leung Siu Fai resigned as an executive director due to his health reason and accordingly ceased to act as chairman of the Board and member of the remuneration committee of the Board; (b) Mr. Kam Hung Chung resigned as an executive director due to personal reason and accordingly ceased to act as managing director and member of the remuneration committee of the Board; (c) Mr. You Guang Wu was appointed as chairman of the Board and member of the remuneration committee of the Board; and (d) Mr. Su Wenzhao was appointed as the managing director of the Company and member of the remuneration committee of the Board.

INTERNAL CONTROL

The Board is responsible for maintaining a stable and effective internal control system for the Group. The system includes a management structure with terms of reference to protect its assets from misappropriation, and ensures keeping appropriate accounting records so as to provide reliable financial information for internal use or for dissemination, as well as ensuring compliance with the laws and regulations. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2009 were effective. The review has also considered the sufficiency and adequacy of human resources, qualifications, experience of staff of the accounting and financial reporting function and their training programmes and budget. The results of the review and its recommendations and opinions had been submitted for consideration by the audit committee and the Board. The audit committee and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

ACCOUNTABILITY AND AUDIT

Directors acknowledge their responsibility in preparing financial statements of the Group.

The financial department of the Company is managed by a qualified accountant. With the assistance of the financial department, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

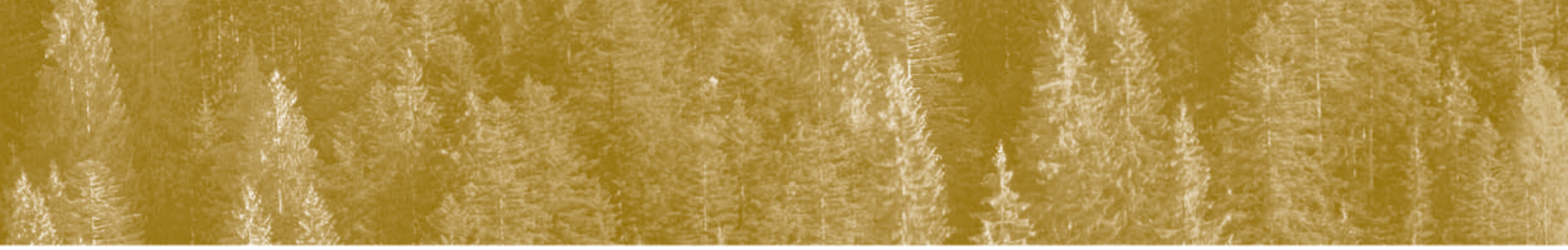
For the year ended 31 December 2009, the audit fee was HK$800,000. Non-audit services provided by HLM & Co., amounted to HK$250,000.

The statement of reporting responsibility issued by HLM & Co., the auditors of the Company, in respect of the financial statements of the Group is set out in the independent auditor's report on pages 20 to 21.

COMMUNICATION WITH SHAREHOLDERS

The Company has maintained communication with shareholders through the annual general meeting or other general meetings and encourages them to participate in general meetings. Registered shareholders receive notices of general meetings by post. The notice of general meeting contains the agenda, the proposed resolutions and the voting form. Any registered shareholder is entitled to attend the annual general meeting and special general meetings provided that their shares must be registered in the register of members. Shareholders who are unable to attend the general meeting can fill in the proxy form attached with the notice of general meeting and return the same to the Company so as to appoint their representatives or the chairman of the meeting as their proxies.

At the 2009 annual general meeting, all directors were present to answer questions raised by shareholders and proposed separate resolutions in respect of each separate issue for shareholders to vote by way of poll thereon. The Company appointed representatives of the share registrar of the Company to act as scrutineers, to ensure that votes cast are properly counted and recorded. The poll results were announced in accordance with the bye-laws of the Company and the listing rules.



DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Company's principal subsidiaries are set out in note 33 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 22.

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at the year ended date. The revaluation resulted in a surplus HK$1,750,000 (2008: deficit of HK$39,000), which has been credited directly to the consolidated statement of comprehensive income. Details of such revaluation are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements during the year of the Group's property, plant and equipment are set out in note 15 to the financial statements.

Particulars regarding the Group's major properties are set out on pages 75 to76.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in statement of changes in equity on pages 25 and 26 respectively.

DIRECTORS' REPORT (Continued)

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2009, the Company had no reserves available for cash distribution and/or distribution in specie, except that under the laws of Bermuda, the Company's share premium account, in the amount of approximately HK$484,159,000, may be distributed in the form of fully paid bonus shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors
Mr. You Guang Wu *(Chairman)*
Mr. Su Wenzhao *(Managing director)*
Mr. Wang Jin Yuan

Independent Non-Executive Directors
Mr. Chan Kwok Wai
Mr. Chen Da Cheng
Mr. Deng Hong Ping

In accordance with the provisions of the Company's Bye-laws, Mr. You Guang Wu and Mr. Chen Da Cheng shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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).

The term of office of each Independent Non-Executive Director is two years.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

You Guang Wu, aged 45, is the chairman of the Company from 26 February 2009. He joined the Company as an independent non-executive director of the Company in September 2004 and was redesignated as an executive director and appointed as vice chairman of the board of the Company on 6 April 2006. Mr. You is now also a member of remuneration committee of the board of the Company and chairman of the board of directors of Guilin Plaza Hotel. Mr. You is a senior accountant in the PRC. Mr. You holds a master degree in economics, and is now a doctorate candidate in finance of Zhongnan University of Economics and Law. He has accumulated extensive experience in investment, financing and financial management.

Su Wenzhao, aged 54, was appointed as an executive director of the Company on 20 January 2009 and the managing director of the Company and a member of the remuneration committee of the board of the Company on 26 February 2009. Mr Su graduated from Sun Yat-sen University, with a diploma in philosophy, and has extensive management experience of more than 25 years.

Wang Jin Yuan, aged 44, joined the Group in July 2003 and was appointed as an executive director of the Company in September 2004. Mr. Wang is the chairman of the board of directors of Foshan City Nanhai Jia Shun Timber Company Limited and Foshan City Nanhai Kang Sheng Timber Company Limited. Mr. Wang was graduated from Guangdong Academy of Social Sciences as a research fellow in economic management. Mr. Wang has many years of experience in enterprise and financial management and real estate. From August 2009, the monthly salary of Mr. Wang has been adjusted to RMB11,000.

Independent Non-Executive Directors

Chan Kwok Wai, aged 51, was appointed as an independent non-executive director of the Company in September 2004 and is the chairman of the audit committee and a member of the remuneration committee of the board of the Company. Mr. Chan holds a bachelor degree in Accounting and Commerce, and is an associate member of the CPA Australia and a member of Hong Kong Securities Institute. He has over 30 years of experience in the finance and accounting industry. Mr. Chan is also currently independent non-executive director of 5 listed public companies in Hong Kong, namely Chinese Estates Holdings Limited, Tern Properties Company Limited, National Electronics Holdings Limited, Far East Consortium International Limited and Junefield Department Store Group Limited.

Chen Da Cheng, aged 45, was appointed as an independent non-executive director of the Company in September 2004 and is a member of the audit committee and the chairman of the remuneration committee of the board of the Company. Mr. Chen graduated from the Sun Yat-sen University and is a practicing solicitor in the PRC. He has over 20 years of experience in legal services.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Independent Non-Executive Directors (Continued)

Deng Hong Ping, aged 36, was appointed as an independent non-executive director of the Company on 6 April 2006 and is a member of the audit committee and remuneration committee of the board of the Company. Mr. Deng holds a Bachelor Degree in marine engineering of the Ocean University of China in Guangdong and graduated in master of economics and legal studies of Huazhong University of Science and Technology. Mr. Deng is a practicing lawyer in the PRC and he has accumulated extensive experience in legal sectors, particularly in enterprises mergers and acquisition and debt reorganization.

Note: The Group's businesses are under the direct responsibility of the above executive directors who are regarded as members of the senior management of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

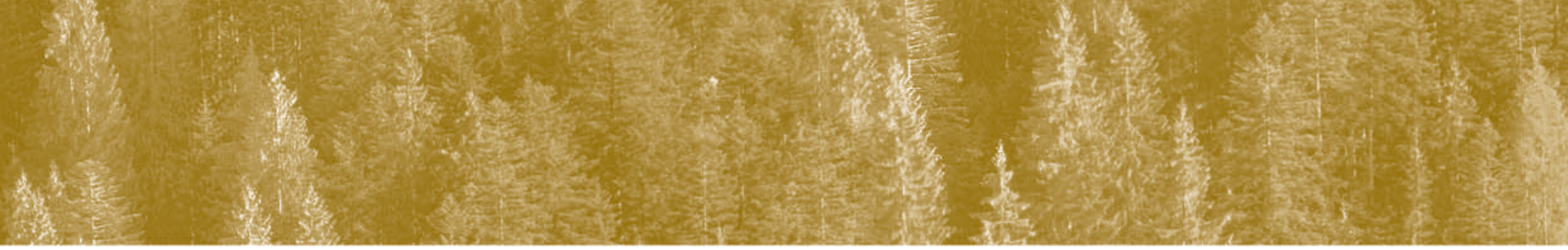
No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 December 2009, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained by the Company pursuant to Section 352 of the SFO were as follows:

Name of Director	Number of shares of the Company	Capacity	% of total issued share capital as at 31 December 2009
Wang Jin Yuan	2,800,000	Beneficial owner	0.24%

Save as disclosed above, as at 31 December 2009, none of the Directors, or their associates, had any interests in any securities of the Company or any of its associated corporation.



DIRECTORS' REPORT (Continued)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, according to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the persons who were interested in 5% or more in the shares and underlying shares of the Company are as follows:

Name	Number of shares	*Notes*	Capacity	Approximate percentage (in aggregate) of total issued share capital as at 31 December 2009
佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*)	203,703,703	*1*	Beneficial owner/ Corporate interest	17.14%
Leung Siu Fai	151,610,779	2	Corporate interest	12.76%
Mighty Management Limited	151,610,779	2	Beneficial owner	12.76%
Industrial and Commercial Bank of China	131,657,142		Beneficial owner	11.08%
Nam Keng Van Investment Co. Ltd.	121,864,487	3	Beneficial owner	10.26%

Notes:

1. These interests were disclosed by 佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*) and were held by Prize Rich Inc which was wholly-owned by 佛山市南海聯達投資(控股)有限公司 (Foshan Nanhai Lian Da Investment (Holding) Co., Ltd.*).

2. These 151,610,779 shares were held by Mighty Management Limited which was wholly-owned by Mr. Leung Siu Fai.

3. These 121,864,487 shares were held by Nam Keng Van Investment Co. Ltd. which was wholly-owned equally by Mr. Cui Guo Jian and Mr. Pu Jian Qing.

Save as disclosed above, no other parties were recorded in the register as having an interest in 5% or more of the issued share capital of the Company.

* *For identification purpose only.*

SHARE OPTIONS

A share option scheme was adopted by the Company on 20 May 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2009 and 2008, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The subscription price for shares of the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the offer date (which date must be a business day), (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date, and (iii) the nominal value of a share of the Company.

An option may be exercised during a period to be determined by the Directors in its absolute discretion and in any event such period shall not be longer than 2 years which shall commence on the expiry of 1 month after the date of grant.

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

The Scheme is for a term of 10 years from the date of adoption and will expire on 20 May 2013. No option has been granted since the adoption of the Scheme.

No charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted for both years.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS' REPORT (Continued)

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the listing rules of The Hong Kong Stock Exchange Limited.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$79,000.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the largest supplier accounted for 6% of the Group's purchases and the five largest suppliers accounted for 19% of the Group's total purchases. The largest customer accounted for 16% of the Group's turnover and the five largest customers accounted for 64% of the Group's total turnover.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in the Group's five largest suppliers and customers.

EMPLOYEES

The total number of employees of the Group is approximately 1,028 (31 December 2008: 1,060). The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility. The Group provides education allowances to the employees.

PRE-EMPTIVE RIGHTS

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

BANK BORROWINGS

Details of the bank loans of the Group are set out in note 25 to the consolidated financial statements.

DIRECTORS' REPORT (Continued)

AUDITORS

HLM & Co. will retire and will seek for re-election at the forthcoming annual general meeting.

On behalf of the Board

YOU GUANG WU
Chairman

Hong Kong, 11 March 2010

INDEPENDENT AUDITORS' REPORT

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE MEMBERS OF CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Investments Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 73, which comprise the consolidated and Company statement of financial positions as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT (Continued)

AUDITORS' RESPONSIBILITY (Continued)

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 auditors' 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLM & Co.
Certified Public Accountants
Hong Kong

11 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**413,730**	472,503
Cost of sales and services		**(363,846)**	(452,462)
Gross profit		**49,884**	20,041
Other operating income	7	**22,362**	53,785
Selling and distribution costs		**(653)**	(614)
Administrative expenses		**(57,087)**	(50,079)
Increase/(decrease) in fair value on investment properties		**1,750**	(39)
Impairment loss in respect of property held for sale		**(23,620)**	(4,661)
Impairment loss on property, plant and equipment		**(30,785)**	–
Finance costs	8	**(612)**	(492)
(Loss)/profit before taxation		**(38,761)**	17,941
Income tax expense	9	**(3,268)**	(826)
(Loss)/profit for the year and attributable to shareholders of the Company	10	**(42,029)**	17,115
Other comprehensive (expense)/income			
Exchange differences arising on translation of foreign operations		**36**	(613)
(Deficit)/surplus on revaluation of hotel properties		**(28,953)**	6,828
Other comprehensive (expense)/income for the year		**(28,917)**	6,215
Total comprehensive (expense)/income for the year and attributable to shareholders of the Company		**(70,946)**	23,330
(Loss)/earnings per share	13		
Basic		**(3.54 cents)**	1.44 cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Investment properties	14	**11,801**	10,051
Property, plant and equipment	15	**222,340**	287,150
Land use rights	16	**52,572**	52,952
Goodwill	17	**89,880**	89,880
		376,593	440,033
Current assets			
Properties held for sale	19	**63,429**	87,049
Inventories	20	**87,720**	77,259
Trade and other receivables	21	**40,467**	52,301
Financial assets at fair value through profit or loss	22	**2,810**	242
Bank balances and cash	23	**115,888**	110,993
		310,314	327,844
Current liabilities			
Trade and other payables	24	**172,219**	162,657
Tax payable		**5,321**	2,180
Secured bank loan	25	**–**	22,727
		177,540	187,564
Net current assets		**132,774**	140,280
Total assets less current liabilities		**509,367**	580,313
Capital and reserves			
Share capital	26	**118,833**	118,833
Reserves		**390,534**	461,480
Equity attributable to shareholders of the Company		**509,367**	580,313

The financial statements on pages 22 to 73 were approved and authorised for issue by the Board of Directors on 11 March 2010 and are signed on its behalf by:

YOU GUANG WU
Director

SU WENZHAO
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current asset			
Investments in subsidiaries	*18*	**23,607**	23,607
Current assets			
Amounts due from subsidiaries		**306,110**	358,368
Deposits and other receivables		**538**	567
Bank balances and cash	*23*	**45,765**	45,661
		352,413	404,596
Current liabilities			
Other payables		**79,192**	79,204
Net current assets		**273,221**	325,392
Total assets less current liabilities		**296,828**	348,999
Capital and reserves			
Share capital	*26*	**118,833**	118,833
Reserves		**177,995**	230,166
Equity attributable to shareholders of the Company		**296,828**	348,999

The financial statements on pages 22 to 73 were approved and authorised for issue by the Board of Directors on 11 March 2010 and are signed on its behalf by:

YOU GUANG WU
Director

SU WENZHAO
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Statutory reserve(note) HK$'000	Hotel property revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
THE GROUP							
At 1 January 2008	118,833	484,159	21,161	63,390	(54,121)	(76,439)	556,983
Surplus on revaluation of hotel properties	–	–	–	6,828	–	–	6,828
Release of revaluation reserve of hotel properties	–	–	–	(3,381)	–	3,381	–
Exchange differences arising on translation of foreign operations	–	–	–	–	(613)	–	(613)
Profit for the year	–	–	–	–	–	17,115	17,115
At 31 December 2008 and 1 January 2009	**118,833**	**484,159**	**21,161**	**66,837**	**(54,734)**	**(55,943)**	**580,313**
Deficit on revaluation of hotel properties	–	–	–	(28,953)	–	–	(28,953)
Release of revaluation reserve of hotel properties	–	–	–	(3,449)	–	3,449	–
Transfer to Statutory reserve	–	–	8,958	–	–	(8,958)	–
Exchange differences arising on translation of foreign operations	–	–	–	–	36	–	36
Loss for the year	–	–	–	–	–	(42,029)	(42,029)
At 31 December 2009	**118,833**	**484,159**	**30,119**	**34,435**	**(54,698)**	**(103,481)**	**509,367**

Note: Statutory reserve represents general reserve and enterprise expansion fund which are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

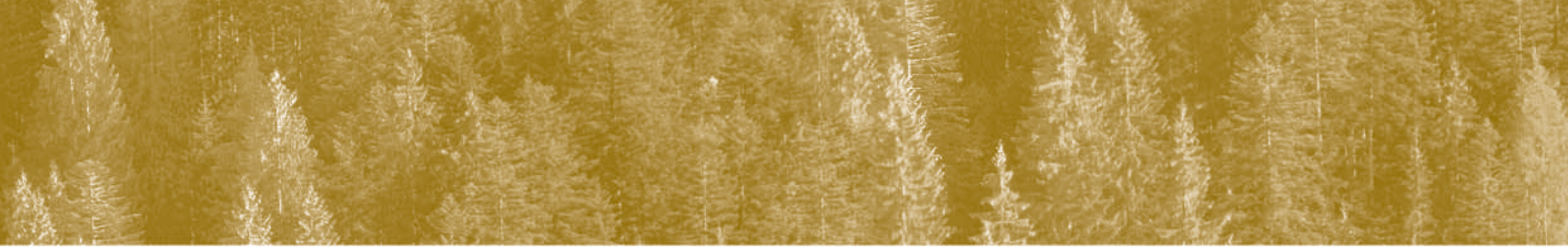
For the year ended 31 December 2009

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY				
At 1 January 2008	118,833	484,159	(247,936)	355,056
Loss for the year	–	–	(6,057)	(6,057)
At 31 December 2008 and 1 January 2009	**118,833**	**484,159**	**(253,993)**	**348,999**
Loss for the year	–	–	(52,171)	(52,171)
At 31 December 2009	**118,833**	**484,159**	**(306,164)**	**296,828**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Operating activities		
(Loss)/profit for the year	**(42,029)**	17,115
Adjustment for:		
Interest income	**(781)**	(2,961)
Interest expenses	**612**	492
Income tax expenses	**3,268**	826
(Increase)/decrease in fair value on investment properties	**(1,750)**	39
Impairment loss in respect of property held for sales	**23,620**	4,661
Impairment loss on property, plant and equipment	**30,785**	–
Impairment loss on inventories	**457**	–
Exchange loss (gain)	**125**	(16,122)
Depreciation of property, plant and equipment	**20,402**	17,547
Provision for loss in litigation written back	**–**	(10,260)
Amortisation of land use rights	**1,412**	531
Unrealised holding (gain)/loss on financial assets at fair value through profit or loss	**(2,568)**	192
Loss/(gain) on disposal of property, plant and equipment	**296**	(22)
Operating cash flow before movements in working capital	**33,849**	12,038
(Increase)/decrease in inventories	**(10,918)**	14,185
Decrease/(increase) in trade and other receivables	**11,791**	(30,055)
Increase/(decrease) in trade and other payables	**9,562**	(32,966)
Provision of loss in litigation set off	**–**	(27,740)
Cash generated from/(used in) operating activities	**44,284**	(64,538)
Tax paid	**(127)**	(4,808)
Interest paid	**(612)**	(492)
Net cash generated from/(used in) operating activities	**43,545**	(69,838)
Investing activities		
Purchases of property, plant and equipment	**(16,378)**	(36,887)
Acquisition of land use rights	**(1,032)**	(38,138)
Interest received	**824**	3,033
Net proceeds from disposal of property, plant and equipment	**752**	24
Net cash used in investing activities	**(15,834)**	(71,968)



CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Financing activities		
Bank borrowing raised	–	22,727
Repayment of bank borrowing	(22,727)	–
Net cash (used in)/generated from financing activities	(22,727)	22,727
Net increase/(decrease) in cash and cash equivalents	4,984	(119,079)
Cash and cash equivalents at 1 January	110,993	223,932
Effect of foreign exchange rates changes	(89)	6,140
Cash and cash equivalents at 31 December	115,888	110,993
Analysis of the balances of cash and cash equivalents		
Being:		
Bank balances and cash	115,888	110,993

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the introduction to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is considered as the functional currency of the Group.

The principal activities of the Group are manufacturing and trading of fibreboards, property development and investment, hotel operation and investment holding.

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

In the current year, the Group has adopted the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on 1 January 2009.

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

Other than as noted below, 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs') (Continued)

HKAS 1 (Revised) Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this financial report and corresponding amounts have been restated to conform to the new presentation. The Standard introduces the accounts of "Other comprehensive income/loss for the year" and "Total comprehensive income/loss for the year" into the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

HKFRS 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

HKFRS 8 Operating Segments

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (HKFRSs') (Continued)

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

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 July 2010
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and financial assets at fair value through profit or loss, which are measured at revalued amounts or fair values as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the new HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

All significant intra-group transactions, balances, income and expenses have been eliminated on consolidation.

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

Goodwill

Goodwill arising on acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's share of the identifiable assets and liabilities at the date of acquisition.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the carrying amount of goodwill is included in the determination of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Property, plant and equipment

(i) Hotel Property

Hotel properties are stated in the statement of financial position at their open market value based on independent professional valuations at each year ended date. The Group has resolved to account for the hotel properties using the revaluation model.

(ii) Property, plant and equipment (other than Hotel properties)

Property, plant and equipment (other than hotel properties) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than hotel properties) over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings in Hong Kong under medium-term leases	Over the lease term
Land and buildings outside Hong Kong under medium-term leases	2.5% to 4.5% or over the lease term, if shorter
Furniture, equipment and leasehold improvements	10% to 30%
Plant and machinery	10% to 30%
Motor vehicles	15% to 30%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

(iii) Construction in progress

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Financial instruments

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition. All regular purchases or sales of financial assets at fair value through profit or loss are recognised and derecognised on a trade date basis. Regular purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. At each year ended date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Financial liabilities and equity instruments

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, when 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 the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

For financial liabilities, they are removed from the Group's statement of financial position (i.e. 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 or 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 weighted average method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the year ended date, and are discounted to present value where the effect is material.

Impairment losses (other than goodwill)

At each year ended date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Turnover

Turnover represents the gross amounts received and receivable for revenue arising on hotel operations, and goods sold by the Group to outside customers, less return and allowances and gross rental income during the year.

Revenue recognition

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

(i) Hotel operations

Revenue arising from hotel operations is recognised when the relevant services are rendered.

(ii) Sales of goods

Sales of goods other than properties are recognised when goods are delivered and title has passed.

(iii) Rental income

Rental income arising from properties let under operating leases is recognised on a straight-line basis over the periods of the respective leases.

(iv) Interest income

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.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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 year ended 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 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.

Government grants

A government grant is recognised only when there is reasonable assurance that (a) the enterprise will comply with any conditions attached to the grant and (b) the grant has been approved and will be received. Government grants shall be recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable. Grants related to income are presented as a credit in the consolidation statement of comprehensive income, under a general heading "Other income".

Retirement benefits scheme

Payments to defined contribution retirement scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalized as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective 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 statement of financial position date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the re-translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

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. Hong Kong dollars) at the rate of exchange prevailing at the statement of financial position 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 exchange reserve). When a foreign entity is sold, exchange differences that were accumulated in equity are reclassified to profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated using the closing rate at the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, time deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts or bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management has made the following estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated the useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Estimated impairment of property, plant and equipment

Machinery and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of fair value of the machinery and equipment less costs to sell or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the recoverable amount is less than expected, a material impairment loss may arise. As at 31 December 2009, the Group reported impairment loss for certain machinery and equipment at HK$30,785,000 (2008: HK$Nil).

Estimate of impairment of hotel properties

Hotel properties are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of fair value less costs to sell and value in use of the hotel properties. Management makes judgements on whether such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

Estimation of fair value of investment properties

Investment properties were revalued as at 31 December 2009 based on the appraised market value by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimate, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs. The carrying amount of investment properties at 31 December 2009 was HK$11,801,000 (2008: HK$10,051,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2009 and 2008, the carrying amount of goodwill is HK$89,880,000. Details of the recoverable amount calculation are disclosed in note 17.

Estimate of net realizable value of properties held for sale

Management reviews the recoverable amount of properties held for sale at each statement of financial position date. The recoverable amount is the estimated selling price of the properties less costs to sell. Management makes estimates in determining the recoverable amount.

Estimated allowance for doubtful debts of trade and other receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivable. Allowances are made on trade and other receivable whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the management investigate the relevant debts and report on the recoverability. Specific allowance is only made for those trade and other receivable that are unlikely to be collected. Where the expectation on the recoverability of trade and other receivable is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade and other receivable at 31 December 2009 is HK$40,467,000 (2008: HK$52,301,000). Details of the recoverable amount calculation are disclosed in note 21.

5. FINANCIAL RISK MANAGEMENT

The Group's businesses are principally conducted in the PRC and Hong Kong and accordingly are subject to special considerations and several risks.

Foreign Exchange Exposure

The Group mainly earned revenue and incurred cost in Renminbi ("RMB") and Hong Kong Dollar. The effect of exchange rate fluctuation on earned revenue and incurred cost would be able to offset each other in the business operation of the Group. In past several years, the exchange rates of Renminbi to Hong Kong Dollars kept on increasing till the second half of 2008 when it became stable. The directors expect that Renminbi's exchange rate will remain stable and will not cause material adverse foreign exchange risk on the Group. Therefore, the Group currently does not have any specific foreign exchange risk hedging need for this matter.

The carrying amount of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the respective statement of financial position dates are as follows:

	The Group At 31 December		**The Company At 31 December**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Assets				
Denominated in Renminbi	**91,666**	102,263	**–**	–
Denominated in US dollars	**333**	340	**–**	–
	91,999	102,603	**–**	–
Liabilities				
Denominated in Renminbi	**93,454**	104,440	**–**	–

The following shows the sensitivity analysis of a 5% increase/decrease in RMB against the Hong Kong dollars. The sensitivity analysis includes only RMB dollars denominated monetary items and adjusts their translation at the year and for a 5% change in RMB dollars rates. If there is a 5% increase/decrease in RMB against the Hong Kong currencies, the effect in the profit for the year is as follows:

	The Group At 31 December		**The Company At 31 December**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/decrease in profit for the year	**15,679**	11,210	**–**	–

5. FINANCIAL RISK MANAGEMENT (Continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

During 2009, the Group's strategy remained unchanged as compared to 2008. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowing divided by total assets.

The Management considers the gearing ratio at the year end was as follows:

	2009 **HK$'000**	2008 HK$'000
Secured bank loans *(note 25)*	**–**	22,727
Total assets	**686,907**	767,877
Total debt to total assets ratio	**N/A**	2.96%

The gearing ratio is not available in 2009 resulted from fully settlement of bank borrowings.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank loans are disclosed in note 25. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables/liabilities which are subject to floating interest rate.

Liquidity risk management

Ultimate responsibility for liquidity risk management rest with the board of directors. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As at 31 December 2009, the Group's net current assets amounted to HK$132,774,000 (2008: HK$140,280,000), current ratio (being current assets divided by current liabilities) was approximately 1.75 times (2008: 1.75 times), while total current assets amounted to HK$310,314,000 (2008: HK$327,844,000), which is sufficient to meet the capital requirement of the Group's operations and development in the near future.

5. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities at the statement of financial position date:

	2009			
	On demand HK$'000	**Within 1 year HK$'000**	**1–3 years HK$'000**	**Total HK$'000**
Trade and other payables	**172,219**	**–**	**–**	**172,219**
Tax payables	**5,321**	**–**	**–**	**5,321**
Secured bank loan	**–**	**–**	**–**	**–**
	177,540	**–**	**–**	**177,540**

	2008			
	On demand HK$'000	Within 1 year HK$'000	1–3 years HK$'000	Total HK$'000
Trade and other payables	162,657	–	–	162,657
Tax payables	2,180	–	–	2,180
Secured bank loan	–	22,727	–	22,727
	164,837	22,727	–	187,564

Credit risk

Details of the Group's credit risk are included in note 21.

Securities price risk

The Group's investments in equity are Hong Kong listed equity. Those financial assets at fair value through profit or loss are measured at fair value at each statement of financial position date. Therefore, the Group is exposed to equity securities price risk. The management manages this exposure by maintaining a portfolio of investment with a limited budget. The sensitivity analysis has been determined based on the exposure to equity securities price risk.

5. FINANCIAL RISK MANAGEMENT (Continued)

Securities price risk (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity securities price risk at the reporting date. If listed equity prices had been 5% higher/lower (2008: 15% higher/lower), loss for the year ended 31 December 2009 would increase/decrease by HK$140,483 (2008: HK$36,268). This is mainly due to the changes in fair value of financial assets at fair value through profit or loss.

Fair value

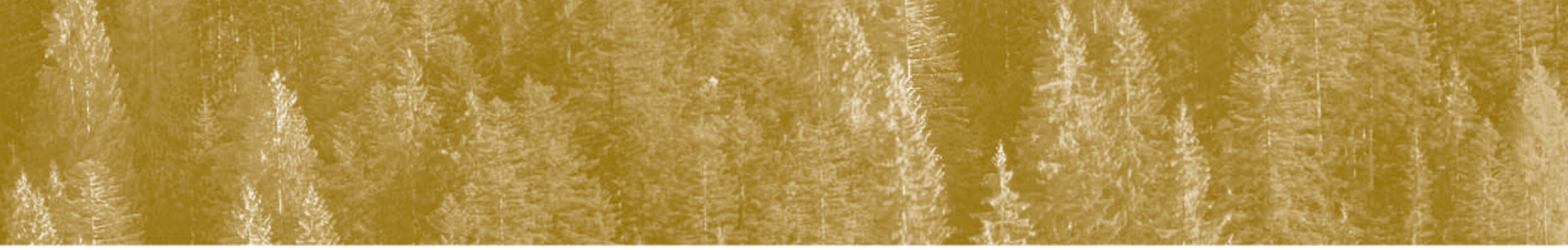
(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 December 2009 across the three levels of the fair value hierarchy defined in HKFRS 7, financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 December 2009, the Group had following financial instruments carried at fair value all of which are based on the Level 1 of the fair value hierarchy:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**2,810**	242



5. FINANCIAL RISK MANAGEMENT (Continued)

Fair value (Continued)

(i) Financial instruments carried at fair value (Continued)

At 31 December 2009, the Company did not have any financial instruments carried at fair value.

During the year ended 31 December 2009, there were no transfers between financial instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

At 31 December 2009 and 2008, the Group has no financial instruments carried at cost or amortised cost.

(iii) The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into three operating divisions – fibreboards, hotel operations and property investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Fibreboards	–	manufacturing and trading of fibreboards
Hotel operations	–	hotel ownership and management
Property investment	–	holding investment properties and properties held for sale

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Segment information about these businesses is presented below.

2009

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
TURNOVER	388,701	23,894	1,135	413,730
RESULTS				
Segment result	(2,194)	(4,669)	2,271	(4,592)
Interest income				781
Net unrealized holding gain on financial assets at fair value through profit or loss				2,568
Unallocated corporate expenses				(36,906)
Finance costs				(612)
Loss before taxation				(38,761)
Income tax expense				(3,268)
Loss for the year				(42,029)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Statement of Financial Position

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	297,606	103,650	75,552	476,808
Goodwill	89,880			89,880
Financial assets at fair value through profit or loss				2,810
Bank balances and cash				115,888
Other unallocated corporate assets				1,521
Consolidated total assets				686,907
LIABILITIES				
Segment liabilities	155,907	6,344	747	162,998
Other unallocated corporate liabilities				14,542
Consolidated total liabilities				177,540

Other Information

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (other than goodwill)	12,624	4,366	–	420	17,410
Depreciation and amortisation	13,176	8,089	–	549	21,814
Increase in fair value on investment properties	–	–	1,750	–	1,750
Impairment loss in respect of properties held for sale	–	–	23,620	–	23,620
Impairment loss on property, plant and equipment	30,785	–	–	–	30,785
Impairment loss on inventories	457	–	–	–	457

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

2008

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
TURNOVER	447,283	24,159	1,061	472,503
RESULTS				
Segment result	14,030	3,330	32	17,392
Interest income				2,961
Net unrealized holding loss on financial assets at fair value through profit or loss				(192)
Unallocated corporate expenses				(1,728)
Finance costs				(492)
Profit before taxation				17,941
Income tax expense				(826)
Profit for the year				17,115

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Statement of Financial Position

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	332,013	135,602	97,371	564,986
Goodwill	89,880			89,880
Financial assets at fair value through profit or loss				242
Bank balances and cash				110,993
Other unallocated corporate assets				1,776
Consolidated total assets				767,877
LIABILITIES				
Segment liabilities	98,377	7,256	348	105,981
Other unallocated corporate liabilities				81,583
Consolidated total liabilities				187,564

Other Information

	Fibreboards HK$'000	Hotel operations HK$'000	Property investment HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to non-current assets (other than goodwill)	73,395	1,627	–	3	75,025
Depreciation and amortisation	9,991	7,569	–	518	18,078
Decrease in fair value on investment properties	–	–	39	–	39
Impairment loss in respect of properties held for sale	–	–	4,661	–	4,661

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

The Group's fibreboards and hotel operations are located in the People's Republic of China, other than Hong Kong (the "PRC").

Property investment and development are located in both PRC and Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		**Contribution to profit for the year**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**413,141**	471,942	**(4,584)**	16,835
Hong Kong	**589**	561	**(8)**	557
	413,730	472,503	**(4,592)**	17,392
Interest income			**781**	2,961
Net unrealised holding gain/(loss) on financial assets at fair value through profit or loss			**2,568**	(192)
Unallocated corporate expenses			**(36,906)**	(1,728)
Finance costs			**(612)**	(492)
(Loss)/profit before taxation			**(38,761)**	17,941
Income tax expense			**(3,268)**	(826)
(Loss)/profit for the year			**(42,029)**	17,115

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and land use rights analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and land use rights	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**612,151**	689,405	**17,410**	75,022
Hong Kong	**74,756**	78,472	**–**	3
	686,907	767,877	**17,410**	75,025

Information of major customers

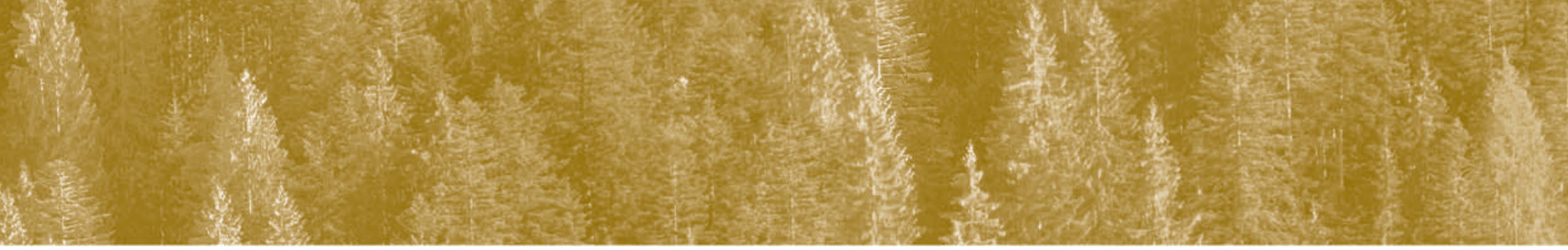
Included in revenues arising from sales of fibreboard of HK$ 388,701,000 (2008:HK$447,283,000) are revenues of approximately HK$226,741,000 (2008:HK$249,844,000) which arose from sales to the Group's four (2008: four) major customers and each major customer accounted for above 10% of the Group's total turnover.

7. OTHER OPERATING INCOME

Other operating income included the following items:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Valued added tax refunded *(note)*	**18,235**	22,454
Interest income	**781**	2,961
Net unrealised holding gain on financial assets at fair value through profit or loss	**2,568**	–
Exchange gain	**–**	16,122
Provision for loss in litigation written back	**–**	10,260

Note: The VAT refunded for the years ended 31 December 2009 and 2008 represented refund of net VAT to certain PRC subsidiaries pursuant to Cai Shui [2009] No. 148 and [2006] No. 102 respectively. Circular of the State Administration of Taxation.



8. FINANCE COSTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Interest on bank borrowing wholly repayable within five years	**612**	492

9. TAXATION

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Tax charges comprises:		
Current tax – Provision for PRC enterprises income tax	**4,487**	1,804
(Over)/under-provision for PRC enterprises income tax	**(1,219)**	1,568
Over-provision for income tax outside Hong Kong other than PRC	**–**	(2,546)
	3,268	826

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2009 (2008: Nil). PRC enterprises income tax is computed according to the relevant laws and regulations in the PRC. The applicable PRC enterprises income tax rate is 25% (2008: 25%).

Taxation of subsidiaries in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

One of the Group's PRC subsidiaries operating in the PRC are eligible for certain tax holidays and concessions. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiary is exempted from PRC enterprises income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

9. TAXATION (Continued)

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

	2009	2008
	HK$'000	HK$'000
(Loss)/profit before taxation	**(38,761)**	17,941
Tax at the rates applicable to profits in the countries concerned	**(2,212)**	5,097
Tax effect of non deductible expenses	**33,854**	4,300
Tax effect of non taxable revenue	**(25,108)**	(5,871)
Net tax effect of overprovided in pervious year	**(1,219)**	(978)
Tax effect of tax deductible not recognised	**(356)**	(160)
Effect of tax exemptions granted to PRC subsidiaries	**(2,829)**	(1,636)
Tax effect of tax loss for the year	**1,138**	74
Tax effect for the year	**3,268**	826

The revaluation surplus for the year (2008: deficit) arising on the revaluation of properties of the Group does not constitute a timing difference. Therefore, deferred tax has not been recognised in respect of the valuation deficit/surplus relating to properties.

10. (LOSS)/PROFIT FOR THE YEAR

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Amortisation of land use rights	**1,412**	531
Depreciation of property, plant and equipment	**20,402**	17,547
Total depreciation and amortisation	**21,814**	18,078
Auditors' remuneration	**800**	1,100
Staff costs (including directors' remuneration and retirement benefit scheme contribution)	**40,218**	40,021
Impairment loss on inventories	**457**	–
Unrealised holding (gain)/loss on financial assets at fair value through profit or loss	**(2,568)**	192
Loss/(gain) on disposal of property, plant and equipment	**296**	(22)
Net foreign exchange loss/(gains)	**125**	(16,122)
Gross rental income from investment properties	**(1,135)**	(1,061)
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**79**	67
Direct operating expenses from investment properties that did not generated rental income during the year	**613**	1,029
	(443)	35

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The emoluments paid or payable to each of the 8 (2008: 7) directors were as follows:

2009	**Fees HK$'000**	**Salaries and other benefits HK$'000**	**Performance-based or discretionary bonus HK$'000**	**Retirement benefits scheme contributions HK$'000**	**Total HK$'000**
Mr. Leung Siu Fai	**–**	**207**	**136**	**7**	**350**
Mr. Kam Hung Chung	**–**	**179**	**120**	**6**	**305**
Mr. You Guang Wu	**–**	**1,200**	**136**	**39**	**1,375**
Mr. Wang Jin Yuan	**57**	**154**	**–**	**6**	**217**
Mr. Su Wenzhao	**–**	**956**	**120**	**24**	**1,100**
Mr. Chan Kwok Wai	**79**	**–**	**–**	**–**	**79**
Mr. Chen Da Cheng	**79**	**–**	**–**	**–**	**79**
Mr. Deng Hong Ping	**79**	**–**	**–**	**–**	**79**

2008	Fees HK$'000	Salaries and other benefits HK$'000	Performance-based or discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Mr. Leung Siu Fai	–	1,244	68	41	1,353
Mr. Kam Hung Chung	–	1,080	60	36	1,176
Mr. You Guang Wu	–	927	50	23	1,000
Mr. Wang Jin Yuan	50	146	759	6	961
Mr. Chan Kwok Wai	73	–	–	–	73
Mr. Chen Da Cheng	73	–	–	–	73
Mr. Deng Hong Ping	76	–	–	–	76

No Directors had waived any emoluments for both years.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

b. Employees' emoluments

During the year, the five highest paid individuals included two Directors (2008: four Directors), details of whose emoluments are set out above. The emoluments of the other three individuals (2008: two individuals) were as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**1,256**	1,625
Retirement benefits scheme contributions	**41**	10
	1,297	1,635

The aggregate emoluments of each of these three (2008: two) highest paid individuals are less than HK$1,000,000.

12. RETIREMENT BENEFIT SCHEME

The Group contributes to a defined contribution retirement scheme which is available to Hong Kong permanent employees. This retirement scheme is administered by independent trustees with their assets held separately from those of the Group. Contributions under the staff retirement scheme for each year are based on a percentage of the eligible employees' salaries and are charged to the consolidated statement of comprehensive income as incurred. The total contribution to the scheme amounted to HK$113,186 (2008: HK$136,442) for the year and has been charged to the consolidated statement of comprehensive income. Forfeited employer contributions in respect of former employees from the staff retirement scheme before vesting period may be used by the Group to reduce its ongoing employer contributions. There is no forfeited contribution utilised during the year.

At the statement of financial position date, there is no balance of forfeited contributions available to reduce the contribution payable in the future years.

Since the introduction of the Mandatory Provident Fund ("MPF") Scheme in Hong Kong, the Group has also participated in an approved MPF Scheme with Bank Consortium Trust Company Limited effective 1 December 2001 to provide an MPF Scheme to all employees.

The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited at 5% of HK$20,000 for each eligible employee) as calculated under the MPF legislation. During the year under review, the total amount contributed by the Group to the MPF Scheme and charged to the consolidated statement of comprehensive income amounted to HK$54,441 (2008: HK$52,920).

13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the year of HK$42,029,000 (2008: profit of HK$17,115,000) and the number of 1,188,329,142 ordinary shares (2008: 1,188,329,142 ordinary shares) in issue during the year.

No diluted (loss)/earnings per share has been presented as there were no diluting events existing for both years.

14. INVESTMENT PROPERTIES

	In the PRC held under medium-term leases	In Hong Kong held under medium-term leases	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE OF INVESTMENT PROPERTIES			
As at 1 January 2008	790	9,300	10,090
Decrease in fair value recognized in the consolidated statement of comprehensive income	(39)	–	(39)
As at 31 December 2008 and 1 January 2009	**751**	**9,300**	**10,051**
Increase/(decrease) in fair value recognised in the consolidated statement of comprehensive income	(180)	1,930	1,750
As at 31 December 2009	**571**	**11,230**	**11,801**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Investment properties were revalued at their open market value at 31 December 2009 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, on an open market value basis. This valuation gave rise to a revaluation surplus of HK$1,750,000 (2008: deficit of HK$39,000), which has been credited to the consolidation statement of comprehensive income.

Associated Surveyors & Auctioneers Ltd is a member of the Institute of Valuers, and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

15. PROPERTY, PLANT AND EQUIPMENT

2009

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
At 1 January 2009	128,000	44,457	10,606	18,763	174,766	4,369	380,961
Additions	–	644	5,614	7,565	1,656	899	16,378
Transfer	–	5,316	(16,220)	–	10,904	–	–
Disposals and write off	–	–	–	(8,342)	(1,289)	–	(9,631)
Impairment	–	–	–	–	(48,033)	–	(48,033)
Surplus/(Deficit) on revaluation	(35,800)	–	–	–	–	–	(35,800)
At 31 December 2009	92,200	50,417	–	17,986	138,004	5,268	303,875
Comprising:							
At cost	–	50,417	–	17,986	138,004	5,268	211,675
At valuation – 2009	92,200	–	–	–	–	–	92,200
	92,200	50,417	–	17,986	138,004	5,268	303,875
DEPRECIATION							
At 1 January 2009	–	7,118	–	17,321	67,420	1,952	93,811
Provided for the year	6,847	2,089	–	1,515	9,485	466	20,402
Eliminated on disposals and write off	–	–	–	(8,342)	(241)	–	(8,583)
Impairment	–	–	–	–	(17,248)	–	(17,248)
Eliminated on revaluation	(6,847)	–	–	–	–	–	(6,847)
At 31 December 2009	–	9,207	–	10,494	59,416	2,418	81,535
NET BOOK VALUES							
At 31 December 2009	92,200	41,210	–	7,492	78,588	2,850	222,340

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

2008

	Hotel properties in the PRC held under medium-term leases HK$'000	Land and buildings HK$'000	Construction in progress HK$'000	Furniture equipment and leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP							
At 1 January 2008	128,000	20,036	4,198	18,399	159,001	3,815	333,449
Exchange adjustments	–	1,564	345	1,219	10,018	124	13,270
Additions	–	22,857	9,536	444	3,620	430	36,887
Transfer	–	–	(3,473)	–	3,473	–	–
Disposals and write off	–	–	–	(1,299)	(1,346)	–	(2,645)
At 31 December 2008	128,000	44,457	10,606	18,763	174,766	4,369	380,961
Comprising:							
At cost	–	44,457	10,606	18,763	174,766	4,369	252,961
At valuation – 2008	128,000	–	–	–	–	–	128,000
	128,000	44,457	10,606	18,763	174,766	4,369	380,961
DEPRECIATION							
At 1 January 2008	–	5,471	–	16,637	56,865	1,475	80,448
Exchange adjustments	–	359	–	1,214	3,667	47	5,287
Provided for the year	6,828	1,288	–	769	8,232	430	17,547
Eliminated on disposals and write off	–	–	–	(1,299)	(1,344)	–	(2,643)
Eliminated on revaluation	(6,828)	–	–	–	–	–	(6,828)
At 31 December 2008	–	7,118	–	17,321	67,420	1,952	93,811
NET BOOK VALUES							
At 31 December 2008	128,000	37,339	10,606	1,442	107,346	2,417	287,150

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Impairment losses recognised in the current year

In light of prolonged slowdown in the veneers market, the Board of Directors has decided that we will no longer restart manufacturing veneers products, but will rationalise our operation and production. Accordingly, production equipment of low efficiency will be cleared up, retired and impaired. Therefore, an impairment of HK$30,785,000 was recognised and has been charged to the consolidation statement of comprehensive income.

Hotel properties situated in the PRC were revalued on the basis of their open market value on 31 December 2009 by Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers. This valuation gave rise to revaluation deficit of HK$28,953,000 (2008: deficit of HK$6,828,000), which has been directly credited to the hotel property revaluation reserve.

If hotel properties had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK$57,766,000 (2008: HK$61,164,000).

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
In the PRC held under medium-term leases	**41,210**	37,339

The Group is in the process of applying for the properties certification for the buildings with carrying value of HK$22,144,000 (2008: HK$22,144,000).

16. LAND USE RIGHTS

The Group's interest in land use rights represent prepaid operating lease payments and their net book value are as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Carrying amount at 1 January	**52,952**	13,959
Addition, at cost	**1,032**	38,138
Exchange difference	**–**	1,386
Amortisation of land use rights	**(1,412)**	(531)
Carrying amount at 31 December	**52,572**	52,952

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
In the PRC held under medium-term leases	**52,572**	52,952

As at 31 December 2009, the carrying value of land use rights of HK$14,108,000 (2008: HK$14,478,000) has been pledged for application of banking facilities (2008: short term bank loan of HK$22,727,000) (note 25).

17. GOODWILL

	THE GROUP
	HK$'000
COST LESS AMORTIZATION	
At 1 January 2008 and 31 December 2008, 1 January 2009 and 31 December 2009	97,484
IMPAIRMENT LOSS	
At 1 January 2008 and 31 December 2008, 1 January 2009 and 31 December 2009	7,604
CARRYING VALUES	
At 31 December 2009	**89,880**
At 31 December 2008	89,880

Goodwill is assessed for impairment annually irrespective of whether there is any indication of impairment.

Goodwill has been allocated to the CGU of the Group's operations in relation to the manufacturing and trading of medium density fibreboards. At 31 December 2009, the Group appointed Associated Surveyors & Auctioneers Ltd., an independent firm of professional valuers, to perform an appraisal of the value-in-use of the CGU. The recoverable amount has been determined based on a value-in-use calculation.

Review of impairment

The impairment test compares the carrying amount of the unit to the value-in-use. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and the expected changes to the selling prices and the direct costs during the period. The discount rates are based on the Hong Kong Prime rate, while growth rates are based on management's experience and expectations. Growth rates used do not exceed the long-term average growth rate for the area in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market, and are derived from the most recent financial budgets and forecasts that have been prepared by management.

The value calculated by using the discount rate is higher than the carrying amount of the CGU, accordingly, the management of the Group determined that there is no impairment of its goodwill at 31 December 2009.

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted investments, at cost	**1,096,607**	1,096,607
Less: Impairment loss	**(1,073,000)**	(1,073,000)
	23,607	23,607

Particulars of the Company's principal subsidiaries as at 31 December 2009 are set out in note 33.

19. PROPERTIES HELD FOR SALE

The Group

Properties held for sale are stated at net realisable value.

20. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Fibreboards		
Raw materials	**68,123**	53,815
Work in progress	**5,060**	2,632
Finished goods	**12,803**	19,017
	85,986	75,464
Food, beverages and hotel supplies	**1,734**	1,795
	87,720	77,259

Part of raw materials of the Group were carried at net realisable value of HK$168,000 (2008: HK$Nil) at the statement of financial position date.

During the year, the Group has made provision for inventory obsolescence of approximately HK$457,000 (2008: HK$ Nil), which was included in administrative expenses.

21. TRADE AND OTHER RECEIVABLES

The Group

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its trade customers.

The following is an aging analysis of the Group's trade receivables at the statement of financial position date:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0-60 days	**1,184**	1,435
61-90 days	**438**	315
91-120 days	**232**	145
over 120 days	**476**	530
Trade receivables	**2,330**	2,425
Other receivables	**38,137**	49,876
	40,467	52,301

The Group's other receivables under current assets as at 31 December 2009 included HK$17,876,000 (2008: HK$2,058,000) of VAT refundable and HK$3,662,000 (2008: HK$35,235,000) being the fair value of the balance of debt assignment acquired by the Group as part of the arrangement to settle the legal litigation relating to its PRC subsidiaries.

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At 1 January	**35,235**	–
Acquisition of a debt assignment	**–**	90,909
Amount recovered during the year	**(31,573)**	(27,934)
Amount applied to set off against provision for litigation on withdrawal of claim	**–**	(27,740)
At 31 December	**3,662**	35,235

The Group does not hold any collateral or other credit enhancements over these balances.

The carrying amounts of the remaining trade and other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default. The directors consider that the carrying amount of trade and other receivables approximates their fair value.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009 HK$'000	2008 HK$'000
THE GROUP		
Listed shares in Hong Kong	**2,810**	242
Market value of listed shares	**2,810**	242
Carrying amount analysed for reporting purposes as:		
Current	**2,810**	242
Non-current	**–**	–
Total	**2,810**	242

23. BANK BALANCE AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of one months or less.

Bank balances are interest bearing at respective saving deposits rate in the Hong Kong and PRC, and the effective interest rates of the Group's bank balances ranged from 0.01% to 0.5% in Hong Kong and ranged from 0.5% to 0.8% in PRC. (2008: 0.38% to 0.9% in Hong Kong and 0.36% to 0.72% in PRC) per annum.

The carrying amounts of bank balances and cash are denominated in the following currencies:

	The Group		The Company	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Hong Kong Dollars	**49,704**	60,605	**45,765**	45,661
Renminbi	**65,851**	50,048	**–**	–
United States Dollars	**333**	340	**–**	–
	115,888	110,993	**45,765**	45,661

24. TRADE AND OTHER PAYABLES

The Group

The following is an aging analysis of the Group's trade payables at the year ended date:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
0-60 days	**15,669**	9,926
61-90 days	**462**	2,130
91-120 days	**128**	199
over 120 days	**4,242**	4,457
Trade payables	**20,501**	16,712
Other payables	**151,718**	145,945
	172,219	162,657

On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "Notes") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2009 and 2008, the balance of HK$75,000,000 notes were due but not converted. Such principal monies together with all interest accured thereon up to maturity, amounting to HK$3,908,000, was reclassified as other payables and become repayable on demand.

The directors consider that the carrying amount of trade and other payable approximates their fair value.

25. SECURED BANK LOAN

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Secured bank loan wholly repayable within one year	**–**	22,727

Bank loan secured by Group's land use rights and bear interest at a fix rate 7.84% (2008: 7.84%) per annum.

26. SHARE CAPITAL

	Number of shares		Nominal value	
	2009	2008	**2009**	2008
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**300,000**	300,000
Issued and fully paid:				
At beginning and end of the year	**1,188,329,142**	1,188,329,142	**118,833**	118,833

The shares issued rank pari passu in all respects with the existing shares of the Company.

27. SHARE OPTION SCHEME

The share option scheme was adopted by the Company on 20 May 2003 (the "Scheme"). During the year, no options was granted, exercised, lapsed or cancelled under the Scheme. At 31 December 2009 and 2008, there were no options outstanding under the Scheme.

The primary purpose of the Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the participants. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including Directors, and business associates of the Company and its subsidiaries, to subscribe for ordinary shares in the Company, in accordance with the terms of the Scheme.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the Scheme without prior approval from the Company's shareholders.

The maximum entitlement for any one participant is that the total number of ordinary shares of the Company issued and to be issued upon exercise of the options granted to such participant under the Scheme and any other option schemes of the Company (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of ordinary shares of the Company in issue.

The Scheme is for a term of 10 years from the date of adoption and will expire on 20 May 2013. No option has been granted since the adoption of the Scheme. Therefore, no charge is recognised in the consolidated statement of comprehensive income in respect of the value of options granted for both years.

28. CONTINGENT LIABILITIES

The Group had a maximum contingent consideration of HK$48,000,000 in respect of the acquisition of the entire issued share capital of Can Manage. This amount would become payable, among others, if the consolidated net profit of Can Manage and its subsidiary, Jia Shun, achieved an amount of HK$70,000,000 for the year ended 31 December 2002 and HK$80,000,000 for the year ended 31 December 2003.

However, the operation of Jia Shun was suspended during the period from 17 August 2003 to 10 October 2003 due to a failure in the supply of electricity and steam from the power plant operated under the power supply agreement and a court order dated 19 August 2003 to freeze Jia Shun's assets in relation to an alleged claim from the Shenzhen Development Bank Foshan Branch. In addition, the production facilities were substantially different from those prior to the suspension. In view of all the above incidences, and as the consolidated net profit of Can Manage and Jia Shun for the year ended 31 December 2003 did not reach HK$80,000,000, the directors consider that the Group is not liable to pay any contingent consideration.

However, as the vender is not contactable up to the date of this report, the Directors decide to reflect this amount as a contingent liability.

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2009	2008
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year:		
Premises	**34,328**	38,793

At the year ended date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises and plant and machinery, which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**4,192**	4,458
In the second to fifth year inclusive	**12,294**	13,684
Over five years	**17,842**	20,651
	34,328	38,793

Operating lease payments represent rentals payable by the Group for its office premises and plant and machinery. Leases are negotiated for an average terms of 3 years to 4 years, respectively.

29. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The Group's property rental income earned during the year was approximately HK$1,135,000 (2008: HK$1,061,000). All of the properties held have committed tenants for one years.

At the balance date, the Group had contracted with tenants for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	**1,546**	1,152
In the second to fifth year inclusive	**1,321**	599
	2,867	1,751

30. COMMITMENTS

	2009 HK$'000	2008 HK$'000
Commitments for the acquisition of the property, plant and equipment	**746**	3,698
Commitments for the environmental renovation project	**408**	409
Commitments for hotel equipment renovation project	**1,815**	1,601
Total commitments	**2,969**	5,708

31. CHARGE ON ASSETS

On 23 April 2009 and 14 July 2009, Nanhai Heng Da Timber Company Limited ("Heng Da"), the Group's wholly-owned subsidiary which has ceased operation, received "List of sealed and detained properties" issued by the Intermediate People's Court of Nanhai District, Foshan, Guangdong (the "Court Order"), for the sealing of the machinery, equipment and plants of Heng Da for manufacturing veneer with net book value of approximately RMB4,472,000 (approximately HK$5,076,000). In the Directors' opinion, the relevant machinery, equipment and plants under the Court Order have no impact on the operation of the Group, and the related payables have been accounted for in the financial statements.

32. RELATED PARTY TRANSACTION

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	**3,669**	6,010
Post-employment employee benefits	**104**	115
	3,773	6,125

The remuneration of directors and key management personnel is determined or proposed by the remuneration committee having regard to the performance of individuals and market trends.

33. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
Direct subsidiary				
China Investments Limited	Hong Kong	HK$1,000	100	Investment holding
Indirect subsidiaries				
Airlane Development Limited	Hong Kong	HK$2	100	Property trading
Barmax Development Limited	Hong Kong	HK$2	100	Property trading
Botex Development Limited	Hong Kong	HK$2	100	Property trading
Centon Development Limited	Hong Kong	HK$2	100	Property trading
Charland Investment Limited	Hong Kong	HK$2	100	Property trading
China Alliance Industries	Hong Kong	HK$2	100	Property trading
China Industrial Development Limited	Hong Kong	HK$2	100	Investment holding
Cyro Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding

33. PRINCIPAL SUBSIDIARIES (Continued)

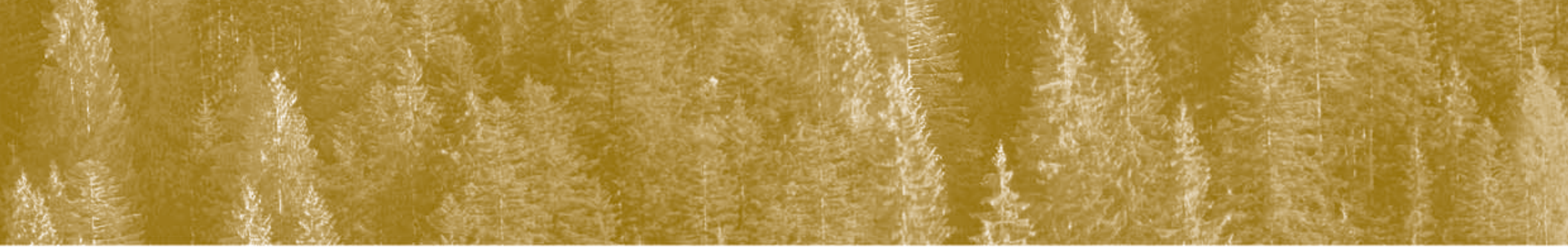
Name of subsidiary	Place of incorporation or registration/ operation	Nominal value of issued and fully paid ordinary share capital/ registered capital	Percentage held %	Principal activity
Indirect subsidiaries (Continued)				
Expert Target Development Limited	Hong Kong	HK$2	100	Property trading
Greenswood Property Limited	Hong Kong	HK$2	100	Property investment
Guilin Plaza Hotel *(Note)*	PRC	RMB14,500,000	100	Hotel operations
Nanhai Heng Da Timber Company Limited 南海亨達木業有限公司*(Note)*	PRC	RMB40,789,076	100	Manufacturing and trading of veneers
Jofra Company Limited	Hong Kong	HK$1,000	100	Investment holding
Foshan City Nanhai Jia Shun Timber Company Limited 佛山市南海佳順木業有限公司 *(Note)*	PRC	RMB39,800,000	100	Manufacturing and trading of medium density fibreboards
Foshan City Nanhai Kang Sheng Timber Company Limited 佛山市南海康盛木業有限公司 *(Note)*	PRC	HK$81,000,000	100	Manufacturing and trading of medium density fibreboards
Kawan (HK) Trading Company Limited	Hong Kong	HK$4,000,000	100	Trading of steels and other materials
Langmax Investment Limited	Hong Kong	HK$2	100	Property trading
Lina Development Limited	Hong Kong	HK$2	100	Property trading
Metropolitan Development Limited	Hong Kong	HK$2	100	Property trading
Rich Asset Development Limited	Hong Kong	HK$2	100	Property trading
Rich Horn Development Limited	Hong Kong	HK$2	100	Property trading
Sabrina Limited	British Virgin Islands/ Hong Kong	US$1	100	Investment holding
Senicon Investment Limited	Hong Kong	HK$2	100	Property trading
Sino Sense Development Limited	Hong Kong	HK$2	100	Property trading
Trener Investment Limited	Hong Kong	HK$2	100	Property trading
Universal Talent Development Limited	Hong Kong	HK$2	100	Property trading

Note: wholly foreign owned enterprise.

33. PRINCIPAL SUBSIDIARIES (Continued)

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

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.



FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	339,865	430,016	497,834	472,503	**413,730**
Loss for the year attributable to shareholders	10,869	70,940	87,252	17,115	**(42,029)**
(Loss)/earnings per share					
Basic	1.19 cents	7.75 cents	8.01 cents	1.44 cents	**(3.54 cents)**
Diluted	1.16 cents	4.81 cents	N/A	N/A	**N/A**

	Year ended 31 December				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	678,111	764,171	796,768	767,877	**686,907**
Total liabilities	(332,879)	(357,639)	(239,785)	(187,564)	**(177,540)**
Shareholders' funds	345,232	406,532	556,983	580,313	**509,367**

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group as at 31 December 2009 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Hotel properties						
Guilin Plaza, 20 Li Jiang Lu Guilin, Guangxi, The PRC.	100	Medium	Hotel	21,708	Existing	N/A
Investment properties						
Portion A on G/F, Kai Yip Factory Building No. 15-17 Sam Chuk Street San Po Kong Kowloon, Hong Kong.	100	Medium	Industrial	459	Existing	N/A
Rooms 702, 703 and 704 of Block D of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road Shantou Special Economic Zone, Guangdong Province, The PRC.	100	Medium	Residential	291	Existing	N/A

PARTICULARS OF MAJOR PROPERTIES (Continued)

Particulars of major properties held by the Group as at 31 December 2009 are as follows:

Name/Location	Effective % held	Category of lease	Type	Total gross floor area on completion (s.m.)	Stage	Expected year of completion
Properties held for sale						
Levels 5-7, 9, 12-14, 17-22 of Block A and all shopping spaces in the podium under Block B & C of Shantou Commercial Plaza at the junction of Jinsha Road East and Huashan Road, Shantou Special Economic Zone, Guangdong Province The PRC.	100	Medium	Commercial/ Residential	13,323	Existing	N/A
10th Floor of Building B, 6th, 8th, 11th, 15th, 17th and 25th Floors of Building A, International Commerce Building, Banzhang Lake, South Riverside, Huizhou City, Guangdong Province, The PRC.	100	Long	Commercial/ Office	4,289	Existing	N/A