



Greenfield Chemical Holdings Limited

嘉輝化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 582

INTERIM REPORT
2010

UNAUDITED INTERIM RESULTS OF THE GROUP

The board of directors (the “Board”) of Greenfield Chemical Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2010 together with the comparative figures for the corresponding period in 2009 as follows. The condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Company’s Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		For the six months ended 30th June,	
	Notes	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	3	142,299	129,830
Cost of sales		(103,022)	(92,195)
Gross profit		39,277	37,635
Other income		15,580	14,456
Distribution and selling expenses		(11,848)	(10,241)
Administrative expenses		(20,677)	(18,060)
Share of profits of associates		30,114	15,492
Profit before taxation	4	52,446	39,282
Taxation	5	(4,871)	(5,718)
Profit for the period		47,575	33,564



		For the six months ended 30th June,	
Notes		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
<i>Other comprehensive income</i>			
Exchange differences arising on translation of foreign operations		1,220	168
Total comprehensive income for the period		48,795	33,732
Profit for the period attributable to			
– Owners of the Company		26,371	19,661
– Non-controlling interests		21,204	13,903
		47,575	33,564
Total comprehensive income attributable to			
– Owners of the Company		27,035	19,794
– Non-controlling interests		21,760	13,938
		48,795	33,732
Earnings per share, basic	7	HK9.7 cents	HK7.1 cents



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	Notes	At 30th June, 2010 HK\$'000 (Unaudited)	At 31st December, 2009 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	71,014	74,163
Prepaid lease payments	8	34,133	13,567
Interests in associates		136,392	105,893
Available-for-sale investments		10	10
Loan receivable	9	159,055	159,055
Deferred tax assets		163	163
		400,767	352,851
Current assets			
Prepaid lease payments	8	808	340
Inventories		25,283	21,572
Trade and other receivables	10	91,026	82,923
Tax recoverable		84	452
Bank balances and cash		164,431	165,498
		281,632	270,785
Current liabilities			
Trade and other payables	11	44,885	38,296
Tax payable		6,859	3,480
		51,744	41,776
Net current assets		229,888	229,009
Total assets less current liabilities		630,655	581,860
Capital and reserves			
Share capital	12	27,286	27,286
Reserves		405,719	378,684
Equity attributable to owners of the Company		433,005	405,970
Non-controlling interests		197,650	175,890
Total equity		630,655	581,860



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company							Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note a)	Translation reserve HK\$'000	Non-distributable reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000		
At 1st January, 2010 (audited)	27,286	100,853	32,000	13,753	6,127	225,951	405,970	175,890	581,860
Exchange difference arising from translation of foreign operations	-	-	-	664	-	-	664	556	1,220
Profit for the period	-	-	-	-	-	26,371	26,371	21,204	47,575
Total comprehensive income for the period	-	-	-	664	-	26,371	27,035	21,760	48,795
At 30th June, 2010 (unaudited)	27,286	100,853	32,000	14,417	6,127	252,322	433,005	197,650	630,655
At 1st January, 2009 (audited)	30,000	121,293	32,000	13,607	5,769	188,499	391,168	145,127	536,295
Exchange difference arising from translation of foreign operations	-	-	-	133	-	-	133	35	168
Profit for the period	-	-	-	-	-	19,661	19,661	13,903	33,564
Total comprehensive income for the period	-	-	-	133	-	19,661	19,794	13,938	33,732
Shares repurchased and cancelled	(2,714)	(20,440)	-	-	-	-	(23,154)	-	(23,154)
At 30th June, 2009 (unaudited)	27,286	100,853	32,000	13,740	5,769	208,160	387,808	159,065	546,873

Notes:

- (a) The special reserve of the Group represents the nominal value of 32,000,000 non-voting class A shares of HK\$1 each issued by a subsidiary of the Company to its then shareholders prior to the group reorganisation in 2002.
- (b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China other than Hong Kong (the "PRC") to the non-distributable reserve under the PRC laws and regulations until the transferred amount met 50% of the registered capital of these PRC subsidiaries. No transfer was noted for both periods, as the PRC subsidiaries had already transferred an amount equal to 50% of its relevant registered capital to non-distributable reserve in prior years or no profit after taxation was generated for the periods.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	For the six months ended 30th June,	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash from operating activities	12,926	38,132
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(1,728)	(721)
Prepaid lease payment paid	(21,188)	–
Interest received	8,019	8,365
Proceeds from disposal of property, plant and equipment	345	374
	(14,552)	8,018
Cash used in financing activity		
Payment on repurchase of shares	–	(23,154)
Net (decrease) increase in cash and cash equivalents	(1,626)	22,996
Cash and cash equivalents at the beginning of the period	165,498	106,945
Effect of foreign exchange rate changes	559	14
Cash and cash equivalents at the end of the period, represented by bank balances and cash	164,431	129,955



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2009, except as described below.

In the current interim period, the Group has applied, for the first time, the following revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 3 (Revised) "Business Combinations" & HKAS 27 (Revised) "Consolidated and Separate Financial Statements"

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

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

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

Amendment to HKAS 17 "Leases"

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present as prepaid lease payments in the condensed consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement. The amendment requires the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. No reclassification is considered necessary because none of the leasehold land qualifies for finance lease classification.



2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statement of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 32 (Amendment)	Classification of rights issues ²
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters ³
HKFRS 9	Financial instruments ⁵
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement ⁴
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments ³

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.

² Effective for annual periods beginning on or after 1st February, 2010.

³ Effective for annual periods beginning on or after 1st July, 2010.

⁴ Effective for annual periods beginning on or after 1st January, 2011.

⁵ Effective for annual periods beginning on or after 1st January, 2013.

Other than the application of HKFRS 9 “Financial Instruments” which might affect classification and measurement of the Group’s financial assets, the Board anticipates that the application of the other new and revised standards, amendments and interpretations will have no material effect on the results and financial position of the Group.



3. SEGMENT INFORMATION

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and solvents. The Group's chief operating decision maker makes the decision on allocation of resources and assessment of performance based on the geographical segments determined on the basis of location of customers, as follow:

2010

	Hong Kong HK\$'000	The PRC HK\$'000	Consolidated HK\$'000
REVENUE			
External sales	62,474	79,825	142,299
RESULTS			
Segment results	8,149	7,613	15,762
Interest income			8,019
Management fee income			2,565
Royalty fee income			3,483
Central administration costs			(7,497)
Share of profits of associates			30,114
Profit before taxation			52,446

2009

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



3. SEGMENT INFORMATION (Continued)

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

The segment assets of the Group represent its trade receivables. As at 30th June, 2010, the amount of trade receivables does not differ significantly with the amount as at 31st December, 2009.

4. PROFIT BEFORE TAXATION

	For the six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	213	176
Depreciation of property, plant and equipment	4,825	5,588
Gain on disposal of property, plant and equipment	(74)	(94)
Share of taxation of associates (included in share of profits of associates)	5,530	2,122
Net foreign exchange loss (gain)	35	(5)
Interest income on:		
Advance to an associate	–	(298)
Bank deposits	(132)	(180)
Loan receivable	(7,887)	(7,887)



5. TAXATION

	For the six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
The charge comprises:		
Hong Kong Profits Tax – current period	2,930	1,902
PRC Income Tax		
Current period	1,941	3,915
Overprovision in prior period	–	(99)
	1,941	3,816
	4,871	5,718

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

Pursuant to the relevant laws and regulations in the PRC, one of the Company's PRC subsidiaries is entitled to exemption from PRC Income Tax for two years starting from its first profit-making year, followed by a 50% reduction for the next three years. This PRC subsidiary continues to enjoy its tax holiday as it incurred tax loss since its incorporation.

The Enterprise Income Tax Law ("Tax Law") of the PRC is effective on 1st January, 2008. The implementation of the Tax Law has an impact on two of the Company's PRC subsidiaries, which previously enjoyed the preferential tax policies in the form of reduced tax rate. These two subsidiaries will have five years of time when the Tax Law takes effect to transition progressively to the legally prescribed tax rate of 25%. PRC Income Tax for these two PRC subsidiaries is calculated at 22% (six months ended 30th June, 2009: 20%) on the estimated assessable profit for the period. For other PRC subsidiaries, the applicable tax rate is 25% for both periods.



5. TAXATION (Continued)

In previous years, the Inland Revenue Department issued additional assessment in aggregate of approximately HK\$11,001,000 to an indirect wholly-owned subsidiary of the Company disallowing its offshore claims in respect of its production activities for years of assessment 2002/03, 2003/04, 2004/05 and 2005/06. The Group had purchased tax reserve certificates totalling HK\$11,001,000 and an amount of HK\$10,000,000 was recognised as income tax expense against such tax reserve certificates in the previous year and the remaining amount of tax reserve certificates of HK\$1,001,000 (31st December, 2009: HK\$1,001,000) was included in tax recoverable as at the end of the reporting period. In the opinion of the directors of the Company (the "Directors"), the ultimate outcome of the additional assessment remains undetermined and the Group will continue to defend vigorously against the additional assessment.

Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the temporary differences attributable to the undistributed retained profits earned by the Company's PRC subsidiaries starting from 1st January, 2008 under the Tax Law that requires withholding tax to be paid upon the distribution of such profits to the shareholders as, in the opinion of the Directors, the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. DIVIDEND

The Board does not recommend the payment of interim dividend for both periods.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company for the period is based on the profit attributable to owners of the Company for the period of HK\$26,371,000 (six months ended 30th June, 2009: HK\$19,661,000) and on 272,860,000 shares (six months ended 30th June, 2009: weighted average number of shares of 276,623,177) in issue throughout the period.

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



8. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the period, the Group spent approximately HK\$1,728,000 (six months ended 30th June, 2009: HK\$721,000) and HK\$21,188,000 (six months ended 30th June, 2009: nil) on acquisition of property, plant and equipment and prepaid lease payments, respectively.

In addition, during the current period, the Group disposed of certain of its property, plant and equipment with a carrying amount of approximately HK\$271,000 (six months ended 30th June, 2009: HK\$280,000) for proceeds of approximately HK\$345,000 (six months ended 30th June, 2009: HK\$374,000).

9. LOAN RECEIVABLE

On 5th November, 2007, Smart Million Limited ("Smart Million"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with independent third parties (the "Vendors") for the acquisition of the entire issued share capital of Winfame Investments Limited ("Winfame"), which held 99.9999875% of the issued share capital of New Gold International Limited ("New Gold") which in turn held the entire equity interest in 呼倫貝爾東明礦業有限責任公司 (referred to as "Dong Ming Mining"), a wholly-owned foreign enterprise established in the PRC and engaged in coal mining. An initial refundable deposit of HK\$100,000,000 was paid to the Vendors in November 2007. Such deposit was secured by the pledge of the entire issued share capital of Winfame and Winfame's equity interest in New Gold (collectively referred to as the "Shares"). The deposit was restructured as part of the loan receivable (the "First Loan") upon termination of the Agreement during the year ended 31st December, 2008.

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

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



9. LOAN RECEIVABLE (Continued)

On 27th November, 2008, Smart Million entered into a deed of termination (the “Deed of Termination”) with, inter alia, the Vendors, New Gold and Winfame to terminate the Agreement and the Supplemental Agreement and to consolidate and restructure the First Loan, the Second Loan and a further loan to New Gold of HK\$25,000,000 plus respective accrued interest of HK\$4,055,000 (collectively refer to as the “Indebtedness”) for a term of two years (extendable for a further period of one year) from the date of the Deed of Termination to 27th November, 2010. The Indebtedness bears interest at 10% per annum and the interest is payable by the end of each quarter. At 30th June, 2010 and 31st December, 2009, the amount of the Indebtedness is HK\$159,055,000 and the Indebtedness is secured by the Shares and all assets, property, undertaking, rights and revenues of New Gold were charged to the Group under a fixed and floating charge. The Indebtedness is also under personal guarantee provided by a shareholder of Winfame.

As part of the conditions to safeguard the recovery by Smart Million of the Indebtedness under the Deed of Termination, Winfame granted to Smart Million a right to convert the Indebtedness into 25% equity interest of New Gold in satisfaction in full of the Indebtedness at Smart Million’s sole and absolute discretion at any time within the two-year period during the continuance of the Deed of Termination. The Indebtedness including this conversion right is stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates of the conversion right is so significant that the Board is of opinion that the fair value of the conversion right cannot be reliably measured and the conversion right component of the Indebtedness is sufficiently significant to preclude them from obtaining a reliable estimate of the fair value of the entire instrument (i.e. the Indebtedness including the conversion right).

Subsequent to the end of the reporting period, the Group received an amount of HK\$35 million from New Gold.



10. TRADE AND OTHER RECEIVABLES

	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
Trade receivables from third parties	75,014	64,441
Trade receivables from associates	6,450	5,957
Interest receivable on loan receivable	3,422	5,534
Amount due from a company owned by former director of the Company	–	2,399
Other receivables	6,140	4,592
	91,026	82,923

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

	Trade receivables from third parties		Trade receivables from associates	
	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
0 – 30 days	29,888	21,313	4,445	4,885
31 – 60 days	23,874	19,690	2,005	1,072
61 – 90 days	12,588	12,940	–	–
Over 90 days	8,664	10,498	–	–
	75,014	64,441	6,450	5,957



11. TRADE AND OTHER PAYABLES

	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
Trade payables to third parties	31,059	19,824
Trade payables to an associate	625	658
Other payables	13,201	17,814
	44,885	38,296

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	Trade payables to third parties		Trade payables to an associate	
	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
0 – 30 days	26,777	18,353	625	658
31 – 60 days	3,415	1,177	–	–
61 – 90 days	579	244	–	–
Over 90 days	288	50	–	–
	31,059	19,824	625	658

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each:		
Authorised:		
At 31st December, 2009 and 30th June, 2010	1,000,000,000	100,000
Issued and full paid:		
At 31st December, 2009 and 30th June, 2010	272,860,000	27,286



13. OPERATING LEASE COMMITMENTS

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

	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
Within one year	244	418

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

14. CAPITAL COMMITMENTS

	At 30th June, 2010 HK\$'000	At 31st December, 2009 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the condensed consolidated financial statements	411	1,488

15. PLEDGE OF ASSETS

At 30th June, 2010, the Group pledged certain land and buildings in Hong Kong with a carrying value of approximately HK\$2,157,000 (31st December, 2009: HK\$2,195,000) to a bank to secure general banking facilities granted to the Group.



16. RELATED PARTY TRANSACTIONS

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

Nature of transactions	For the six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Sales of goods by the Group	15,426	14,517
Management fee income received by the Group	2,565	1,725
Purchases of goods by the Group	3,666	2,991
Royalty fee income received/receivable by the Group	3,483	1,707
Interest income received/receivable by the Group	–	298
Rental income received/receivable by the Group	137	801

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

	For the six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Short-term benefits	157	1,044
Post-employment benefits	1	18
	158	1,062



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

For the six months ended 30th June, 2010, the Group's revenue increased by 9.60% to HK\$142,299,000 (2009: HK\$129,830,000). The profit for the period attributable to shareholders increased by 34.12% to HK\$26,371,000 (2009: HK\$19,661,000) and the earnings per share was HK9.7 cents (2009: HK7.1 cents).

As at 30th June, 2010, the net asset value per share attributable to equity holders was HK\$1.59 (31st December, 2009: HK\$1.49).

Dividend

The Directors do not recommend the payment of a dividend for the six-months ended 30th June, 2010 (2009: nil).

Review of Operations

The expansionary monetary policies and various stimulus plans introduced by worldwide governments in the second half of 2009 significantly enhanced market liquidity and investors' confidence. Hence, the demand for paints and petrochemical and related products increased as compared to first half of 2009. For the six months ended 30th June, 2010, the Group achieved a moderate increase of 9.60% to HK\$142,299,000 (2009: HK\$129,830,000) in turnover.

In light of implementation of tighter cost control by the management, the gross profit increased slightly by 4.36% to HK\$39,277,000 (2009: HK\$37,635,000). Combined with the increase in share of profits of associates, the profit for the period attributable to shareholders substantially increased by 34.12% to HK\$26,371,000 (2009: HK\$19,661,000).



Outlook

In view of the escalating awareness of more stringent environmental protection and product safety laws and regulations pertaining to the Group's manufacturing facilities and products in PRC as well as increase in price of crude oil, other key raw materials and labour cost, the business environment in the second half of 2010 remains to be challenging. In response, the management has commenced a review on the existing businesses in manufacturing of paints and trading in petrochemical and related products and assets of the Group, for the purpose of formulating new business plans and strategies for the future business development of the Group. Subject to the result of review and should any suitable business opportunity arise, the Group may change its existing business activities and redeploy any assets of the Group. The management will from time to time seek for investment opportunity in promising industry that could provide investment potential and broaden the income base of the Group.

Financial Resources, Borrowings and Capital Structure

As at 30th June, 2010, the Group's non-current assets amounted to HK\$400,767,000 (31st December, 2009: HK\$352,851,000) and net current assets amounted to HK\$229,888,000 (31st December, 2009: HK\$229,009,000) with a current ratio of 5.4 (31st December, 2009: 6.5) calculated on the basis of the Group's current assets over current liabilities.

During the period under review, the Group had no borrowings outstanding and with sufficient cash surplus generated from its operations and maintained a satisfactory financial position derived from its business. As at 30th June, 2010, the Group had bank balances and cash of HK\$164,431,000 (31st December, 2009: HK\$165,498,000).

Exposure to Foreign Exchange Risk

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



Employees and Remuneration Policies

As at 30th June, 2010, the Group had around 1,000 full-time employees. They included management and administrative staff and production workers. Most were stationed in Mainland China, while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

DIRECTORS' INTERESTS

At 30th June, 2010, none of the Directors and chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (i) pursuant to Division 7 and 8 of Part XV of SFO (including the interest and short positions in which they are deemed or taken to have under such provisions of the SFO) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.



SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name	Capacity	Number of Shares held	Percentage of issued Share capital of the Company
Hong Han Limited ("Hong Han")	Beneficial Owner	140,000,000	51.31%
Mr. Wan Zhongbo ("Mr. Wan")	Held by controlled corporation (Note 1)	140,000,000	51.31%
Ms. Liu Jia ("Ms. Liu")	Held by controlled corporation (Note 1)	140,000,000	51.31%
True Focus Limited	Beneficial owner and held by controlled corporation (Note 2)	18,010,000	6.60%
Besford International Limited	Held by controlled corporation (Note 3)	18,010,000	6.60%
COL Capital Limited	Held by controlled corporation (Note 3)	18,010,000	6.60%
Vigor Online Offshore Limited	Held by controlled corporation (Note 4)	18,010,000	6.60%
China Spirit Limited	Held by controlled corporation (Note 4)	18,010,000	6.60%
Ms. Chong Sok Un	Held by controlled corporation (Note 4)	18,010,000	6.60%



Notes:

1. Hong Han is wholly and beneficially owned by each of Mr. Wan and Ms. Liu as to 50% respectively. Mr. Wan and Ms. Liu are therefore deemed to be interested in the Shares held by Hong Han Limited.
2. True Focus Limited owns 13,510,000 Shares. Pacific Orchid Investments Limited, a wholly-owned subsidiary of True Focus Limited, owns 4,500,000 Shares. True Focus Limited is therefore deemed to be interested in 18,010,000 Shares.
3. True Focus Limited is wholly-owned by Besford International Limited. Besford International Limited is a wholly owned subsidiary of COL Capital Limited. Besford International Limited and COL Capital Limited are therefore deemed to be interested in 18,010,000 Shares.
4. COL Capital Limited is beneficially owned by Vigor Online Offshore Limited as to approximately 64.33%. Vigor Online Offshore Limited is a wholly-owned subsidiary of China Spirit Limited, a company wholly and beneficially owned by Ms. Chong Sok Un. Vigor Online Offshore Limited, China Spirit Limited and Ms. Chong Sok Un are therefore deemed to be interested in 18,010,000 Shares.

All the interests stated above represent long positions. Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th June, 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

SHARE OPTIONS

On 11th June, 2010, an ordinary resolution was passed at the annual general meeting of the Company regarding the approval of the adoption of share option scheme (the "Share Option Scheme") of the Company. No share option has been granted by the Company since the adoption of the Share Option Scheme.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2010, except for the following deviation:



Code provision A.4.1

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Company does not fully comply with code provision A.4.1. During the year the non-executive Directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years and re-election at the annual general meeting. The Board does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long-term interests of the shareholders of the Company.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for securities transaction by Directors. Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended on 30th June, 2010.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises Mr. Fok Ho Yin, Thomas, Mr. Wu Wing Kit and Dr. Chui Hong Sheung, the independent non-executive Directors of the Company. The Audit Committee has reviewed with the management in relation to the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters including the review of the unaudited interim financial statements for the six months ended on 30th June, 2010.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Hu Jun, Ms. Zhang Ying, Mr. Li Li and Mr. Zhang Yang as executive Directors and Mr. Fok Ho Yin, Thomas, Mr. Wu Wing Kit and Dr. Chui Hong Sheung, JP as independent non-executive Directors.

By Order of the Board
Greenfield Chemical Holdings Limited
Li Li
Executive Director

Hong Kong, 27th August, 2010

