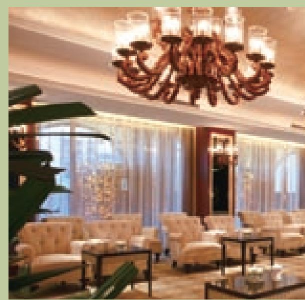
Bright International Group Limited

(Incorporated in Bermuda with limited liability)

Stock Code:1163

Annual Report 2009



Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Hsu Chen Shen
(Chairman and Chief Executive Officer)
Mr. Hsu Shui Sheng *(Vice-Chairman)*
Mr. Pak Ping Chun
Mr. Yang Hsien Lin
Mr. Lau Chi Yan, Pierre

Independent Non-executive Directors

Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui
Mr. Lu Zi Chin

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 09, 19th Floor, Block B,
Ming Pao Industrial Centre, 18 Ka Yip Street,
Chai Wan, Hong Kong

Pu-Jiang Road, Da-Ban-Di
Industrial Zone, Humen Town,
Dongguan, Guangdong, China

COMPANY SECRETARY

Mr. Tsang Yuk Yan, Nicol

AUTHORIZED REPRESENTATIVES UNDER LISTING RULES

Mr. Hsu Chen Shen
Mr. Pak Ping Chun

AUDITOR

Elite Partners CPA Limited

STOCK CODE & COMPANY'S WEBSITE

1163
www.big1163.com

AUDIT COMMITTEE MEMBERS

Mr. Lu Zi Chin *(Chairman)*
Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui

REMUNERATION COMMITTEE MEMBERS

Dr. Hsiao Horng Ching *(Chairman)*
Mr. Hsu Chen Shen
Mr. Cheng Yung Hui

PRINCIPAL BANKERS

Bank of SinoPac
Bank of America, N.A.
The Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR & PRINCIPAL TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building, 6 Front Street,
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR & BRANCH TRANSFER OFFICE

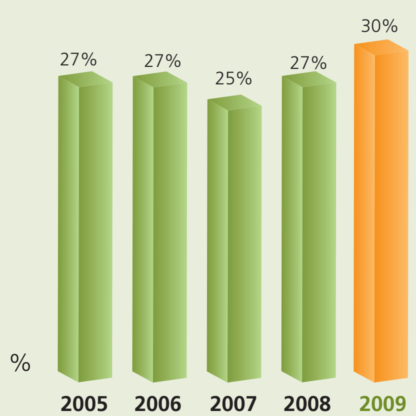
Tricor Tengis Limited
26/F, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong

Results and Financial Highlights

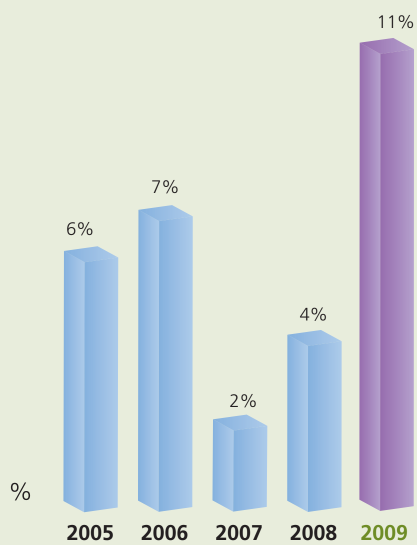
FINANCIAL HIGHLIGHTS

For the year ended 31 December	2005	2006	2007	2008	**2009**
Revenue (HK$'000)	774,573	806,413	816,863	683,154	**691,775**
Net Profit (HK$'000)	48,004	55,325	18,212	25,655	**74,732**
Gross Profit Margin	27%	27%	25%	27%	**30%**
Net Profit Margin	6%	7%	2%	4%	**11%**
Net Asset Value (HK$'000)	418,788	453,400	517,189	483,298	**710,236**
Dividend (HK cents) – annual	4	5.5	1.7	3	**Nil**
Basic Earnings Per Share (HK cents)	9.8	11.3	3.6	5.0	**11.48**

Gross Profit Margin
For the year ended 31 December



Net Profit Margin
For the year ended 31 December



Chairman's Statement

Mr. Hsu Chen Shen, Keen
Chairman

I am pleased to present the annual results of Bright International Group Limited ("Bright" or the "Company", together with its subsidiaries collectively as the "Group") for the year ended 31 December 2009. During the year under review, turnover of the Group amounted to approximately HK$691,775,000, representing an increase of approximately 1% as compared with HK$683,154,000 of last year. Profit for the year amounted to approximately HK$74,732,000, representing an increase of approximately 191%. Basic earnings per share was HK11.48 cents (2008: HK5.0 cents).

Chairman's Statement

FINAL DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: nil).

BUSINESS REVIEW

In retrospect of 2009, the financial tsunami occurred at the end of 2008 brought a great impact to the whole world and various nations actively stimulated their economies, and thus, the Group achieved remarkable results in 2009. The Group performed steadily in different major markets as it benefited from the drop of raw material prices and the stable Renminbi exchange rate. Hence, the Group's profit for the year under review was improved. By the end of 2009, the Group disposed of two assets, which brought a special income of HK$80,078,000 and a large amount of capital to the Group for its operation and investment. Although the Group performed satisfactorily during the year under review, it expects to face the pressure from the forthcoming upturn of raw material prices and the appreciation of RMB exchange rate in 2010. The Group has endeavoured to capture new customers so as to increase its market share. The current productivity of the Group is able to cope with the orders on hand. But in order to reduce the cost in operating plants and adjust the production capacity in a more flexible manner, the Group plans to seek cooperation with certain manufacturers to meet its development need.

At the beginning of 2009, the Group started negotiations on the acquisition of the entire ownership rights of a holding company that owns a piece of forestry land located in Guangdong Province of the People's Republic of China ("PRC") for the purpose of risk diversification. The Group expects that, through months of integration and restructuring after the acquisition, the forestry land project will make a stable income stream and contribution to the Group in the future.

PROSPECTS

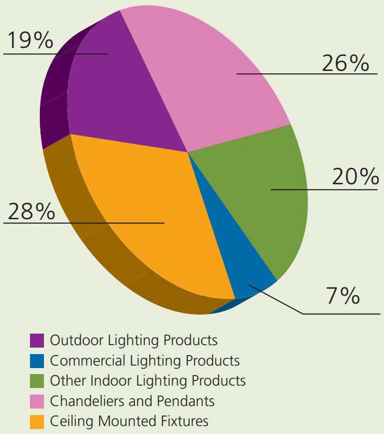
Looking ahead, the Group will dedicate itself to the development of lighting product business. Besides, when the investment project of acquiring the forestry land is completed, the Group will be able to diversify the risks effectively, and this operation should become a stable income stream to the Group. At the end of 2009, the Group planned to acquire a number of gold mine projects in Hebei and Shandong, PRC. The acquisition is still underway, and is envisaged to complete by 2010. The Group expects to see a further diversification of its businesses upon the completion of acquisition.

Chairman's Statement

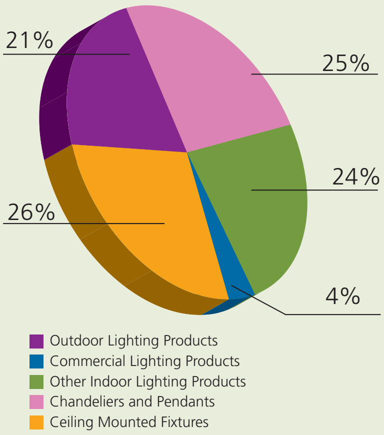
APPRECIATION

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, investors and clients for their continuous support to and confidence in the Group. Furthermore, I would like to thank all the staff members for their dedication and exertions, as well as their valuable contribution to the Group's overall development.

Comparison of Turnover by Product 2009



Comparison of Turnover by Product 2008



Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the Group achieved satisfactory results as the impact brought about by the financial tsunami at the end of 2008 had only limited effect on the Group's business. Performance in the Group's major market, the US market, was satisfactory during the year under review with a growth of approximately 6% in overall results. Owing to proactive measures from the US government to stimulate the local economy, orders from the Group's major customers in the US market remained steady during the year under review. Profits also increased due to falling prices of raw materials. Renminbi exchange rate in the year under review was relatively stable, contributing again to the Group's profits. During the year under review, the Group successfully disposed of two assets, bringing in special profits amounting to approximately HK$80,078,000. During the year under review, total turnover of the Group amounted to approximately HK$691,775,000, representing a slight increase of about 1% over that of last year. Profit for the year amounted to approximately HK$74,732,000, representing a significant growth of about 191% as compared with that of last year. Gross profit margin for the year under review was approximately 30%, increasing by 3% as compared with last year. Basic earnings per share amounted to HK11.48 cents, an increase of about 130% over that of last year.

PRODUCT DIVERSIFICATION

For the year ended 31 December 2009, turnover derived from home lighting products accounted for approximately 93% of the Group's total turnover, of which 19% was derived from outdoor lighting products, 28% from ceiling mounted fixtures, 26% from chandeliers and pendants and 20% from other indoor lighting products. The remaining 7% of the Group's turnover was derived from commercial lighting products.

EXPORT MARKETS

Home Lighting Division

During the year under review, turnover derived from the home lighting division was approximately HK$597,883,000, decreasing by about 1% as compared with that of last year and representing about 86% of the Group's total turnover. The Group's major customers, large-scale DIY chain stores in the US, benefited from the US stimulus plans for the local economy. As these major customers achieved desirable results, the orders they placed with the Group were very stable. Our profitability was fuelled by the decrease in raw material prices during the year under review. Excellent sales of energy saving products launched by the Group in recent years also contributed significantly to the Group's profits.

Management Discussion and Analysis

Commercial Lighting Division

During the year under review, the export market turnover of the commercial lighting division amounted to approximately HK$45,135,000, representing an increase of about 71% as compared with that of last year.

At the end of 2008, the Group reached agreement with the third largest commercial lighting supplier in the US to provide products to the supplier. The supplier began placing orders from the end of 2008, and deliveries completed during the year under review brought in a sum of approximately HK$32,600,000. This gave rise to a significant increase in the current turnover from export markets of the commercial lighting division. The Group expects the customer to make even greater contribution to the Group in the foreseeable future.

PRC MARKET

During the year under review, the Group recorded a total turnover of approximately HK$48,757,000 from the PRC domestic market, representing a decrease of about 7% as compared with that of last year. There was a drop of about 17% in turnover from the consumer lighting division. However, turnover from the commercial lighting projects division increased by about 658% as compared with that of last year.

Consumer Lighting Division (Franchised Chain Store System)

During the year under review, the Group continued its expansion in the domestic market through franchising. The results of the Group's two brands, namely "百得詩特" and "百照王", slowed down. During the year under review, the Group, targetting at franchised stores, held a number of large and small scale conferences to promote the Group's brands and increase the understanding of franchised stores in the Group's business, thereby attracting more franchised stores with potential to join the Group. The Group believes that dual branding can cater for the needs of different customer groups more effectively, thus bringing greater contribution to the Group's results.

Commercial Lighting Projects Division

During the year under review, the Group's principal clients were large-scale foreign-invested supermarket chain stores. As the economy had not yet fully recovered, most of the projects were still not resumed though clients reactivated their developments in the PRC. Turnover from the commercial lighting projects division increased by approximately 658%, but only amounted to approximately HK$5,730,000. The Group expects that its performance will be much improved when all clients resume their developments in full.

PROSPECTS

Although its performance was satisfactory and the business environment it faced was increasingly stable during the year under review, the Group will proactively carry on with its operation in a prudent manner, consolidating its strengths to minimize any impact from external factors. The Group foresees that it may face pressure from the upturn of raw material prices and the appreciation of Renminbi exchange rate in 2010. During the year under review, the Group successfully disposed of two assets in Shanghai. The transactions, completed in 2009, brought in a considerable amount of capital for the Group's operations.

The core business of the Group is lighting production. The Group will devote its efforts to developing this business, and actively look for new clients to expand its market share. In anticipation of severe conditions for business operation and production, the Group will maintain its current capacity and at the same time, actively identify suitable factories to collaborate in production.

In early 2009, the Group began negotiations on the acquisition of the entire ownership rights of a holding company that owns a piece of forestry land located in Guangdong Province of the PRC. The acquisition was completed in the middle of 2009. The Group expects that, through months of

Management Discussion and Analysis

integration and restructuring after the acquisition, revenue from forestry land will bring considerable contribution to the Group in future. At the end of 2009, the Group planned to acquire a number of gold mine projects in Hebei and Shandong, PRC in line with its diversified business development. The acquisition is still underway, and is envisaged to complete by 2010.

LIQUIDITY AND FINANCIAL RESOURCES

In general, the Group uses internally generated cashflow as its working capital. As at 31 December 2009, the Group's cash on hand and bank balances totalled approximately HK$172,310,000 (2008: HK$85,100,000) with net current assets amounted to HK$253,822,000 (2008: HK$223,080,000). The Group had bank borrowings in the amount of HK$47,901,000 (2008: HK$53,511,000). The gearing ratio of the Group, equivalent to total debts divided by total assets, as at 31 December 2009 was 4.5% (2008: 7.4%). Provision for impairment of trade receivables in the amount of HK$6,149,000 was made during the year under review (2008: HK$4,439,000). Overall, the Group is in a relatively strong financial position, which will facilitate its future business development.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group had no significant contingent liabilities (2008: Nil).

CHARGE ON ASSETS

As at 31 December 2009, the Group had no assets pledged for general banking facilities granted to the Group or as security for any debt or borrowings.

CURRENCY EXPOSURE

The Group would continue to monitor closely its foreign currency exposure. During the year under review, the Group did not issue any financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group had approximately 2,400 employees (2008: approximately 2,500). We remunerate our employees based on their performance and prevailing industry practice and the remuneration policy and packages are reviewed by the Board on a periodical basis. In addition, discretionary year-end bonuses and share options will be awarded to employees based on their performance evaluation, as recognition and drive for enhancing individual performance.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Hsu Chen Shen, aged 51, is the founder of the Group. He is the Chairman of the Board, the Chief Executive Officer, a member of Remuneration Committee, chairman of Executive Committee and a substantial shareholder of the Company. He is also a director of various subsidiaries of the Company. Mr. Hsu is responsible for the strategic planning, corporate policy and overall management and marketing aspects of the Group. He has over 31 years of experience in the lighting industry. Mr. Hsu had been the committee member of the Taiwan Lighting Fixture Export Association (台灣區照明燈具輸出業同業公會) for a term of three years from 1989. In 1998, Mr. Hsu was appointed as a consultant to 廣東省台商照明聯誼會 (Taiwan Lighting Businessmen's Association). In 1999, Mr. Hsu was appointed as the director of the third general assembly for 台商協會 (Taiwan Businessmen's Association), Hu Men District of Dongguan. He is the younger brother of Mr. Hsu Shui Sheng *(an executive director and a substantial shareholder of the Company)* and the uncle of Mr. Hsu Chiang Lung *(a senior manager of the Group)*. Mrs. Hsu Wei Jui Yun, the wife of Mr. Hsu, resigned as an executive director of the Company on 13 January 2010.

Mr. Hsu Shui Sheng, aged 63, has been with the Group since its establishment. He is the Vice-Chairman of the Board, a member of Executive Committee and a substantial shareholder of the Company. Mr. Hsu is responsible for the production department of the Group. He has over 31 years of experience in the lighting industry. He is the elder brother of Mr. Hsu Chen Shen *(the Chairman of the Board and a substantial shareholder of the Company)* and the uncle of Mr. Hsu Chiang Lung *(a senior manager of the Group)*. Mrs. Hsu Wei Jui Yun, the sister-in-law of Mr. Hsu, resigned as an executive director of the Company on 13 January 2010.

Mr. Pak Ping Chun, aged 68, joined the Group in October 1991. Mr. Pak is a member of Executive Committee of the Company and the sales director of the Group. He is responsible for the sales functions of the Group. He has over 29 years of experience in the lighting industry. Before entering the lighting industry, Mr. Pak had worked in an U.S. international bank for over 20 years and had gained experience in international trade and corporate treasury.

Mr. Yang Hsien Lin, aged 47, has been with the Group since its establishment. He is a member of Executive Committee of the Company and the production director of the Group. He is directly responsible for the Group's production as well as purchasing and materials control functions. He has over 27 years of experience in the lighting industry.

Mr. Lau Chi Yan, Pierre, aged 34, has been an executive director of the Company since September 2009. He is also a member of Executive Committee of the Company. Mr. Lau graduated at the University of Calgary in Alberta, Canada in 2000 with a Bachelor of Science Degree in Computer Science. In 2008, he obtained an Executive Master Degree of Business Administration in General Management awarded by the University of Hull, the United Kingdom. Mr. Lau is an experienced management specialist in operations by his past working references in a number of renowned international firms, including Mirapoint Inc., PCCW Limited, Clifford Chance and Mallesons Stephen Jaques. Besides, Mr. Lau has been active in public services in Mainland China. He was a member of Guangdong Huizhou Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省惠州市委員會) and a member of the Federation of HK Guangdong Community Organisations (Youth Section) (香港廣東社團總會青年委員會).

Directors and Senior Management Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Hsiao Horng Ching, aged 54, has been an independent non-executive director of the Company since March 2004. He is also the chairman of Remuneration Committee and a member of Audit Committee of the Company. He is the professor of the Department of Electrical Engineering at the National Taiwan University of Science and Technology (國立台灣科技大學) currently. Dr. Hsiao holds a doctoral degree from the National Taiwan University of Science and Technology and an electrical engineer's professional licence. Dr. Hsiao has over 31 years of experience in electrical engineering and lighting industry. Since 1994, he has been the director of the Taiwan Lighting Council (台灣照明學會) and the consultant of the Taiwan Lighting Fixture Export Association (台灣區照明燈具輸出業同業公會). Furthermore, Dr. Hsiao acted as the consultant and convener at many departments in Taiwan government, such as Environmental Protection Bureau, Energy Ministry and the Investigation Commission and Special Case Team.

Mr. Cheng Yung Hui, aged 68, has been an independent non-executive director of the Company since October 2007. He is also a member of both Audit Committee and Remuneration Committee of the Company. He is the chairman and chief executive officer of World Friendship Company Limited, an unlisted Taiwan company. Mr. Cheng has over 32 years of experience in operating his own company. He often travels between Taiwan, China and the United States of America to manage his business. He has extensive experience in international business. Besides, Mr. Cheng has been an independent non-executive director of Eagle Nice (International) Holdings Limited (a company listed on the main board of the Hong Kong Stock Exchange, stock code: 2368) since 30 September 2004.

Mr. Lu Zi Chin, aged 46, has been an independent non-executive director of the Company since March 2009. He is the chairman of Audit Committee of the Company. He is a certified public accountant in the United States of America. Mr. Lu is currently the Chief Financial Officer of Mobizone Holdings Limited (online game service provider and portal). He is also an independent director of Astro Corp. (a company listed on the Taiwan Stock Exchange, stock code: 3064), the chairman and director of Green Power (Baoding) Limited (its business relates to renewable energy) and a managing director of Twin Oaks Capital LLC. He had previously worked as an audit manager in Koo Chow & Co. C.P.A. in the United States of America. Accordingly, Mr Lu has extensive experience in accounting and financial management.

COMPANY SECRETARY

Mr. Tsang Yuk Yan, Nicol, aged 36, is an Associate Member of The Hong Kong Institute of Certified Public Accountants and a Member of The Association of Chartered Certified Accountants. Mr. Tsang graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy. He is the Group financial controller and responsible for all the finance, company secretarial and investors relations matters of the Group. Prior to joining the Group in February 2002, Mr. Tsang had five years of experience in an international accounting and auditing firm in Hong Kong.

SENIOR MANAGEMENT

Mr. Nugraha Soemampauw, aged 40, was appointed as a Vice President in 2004 and is responsible for the sales and marketing of the Group. He has over 19 years of experience in the lighting industry. He joined the Group in 1994.

Mr. Chung Shao Hung, aged 42, is a senior manager of research and development department of the Group. He joined the Group in October 1992. He has over 16 years of experience in the lighting industry.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company considers good corporate governance practices to be essential to the promotion of shareholder value and investor confidence.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations of the code provisions are summarized below.

A. THE BOARD

A1. RESPONSIBILITIES AND DELEGATION

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

All directors have timely access to relevant information as well as the advice and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and applicable laws and regulations. Any director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the above-mentioned officers. The Board has the full support of the senior management to discharge its responsibilities.

Corporate Governance Report

A2. BOARD COMPOSITION

The Board currently comprises the following members:

Executive directors:

Mr. Hsu Chen Shen	*(Chairman of the Board, Chief Executive Officer, Chairman of the Executive Committee and Member of the Remuneration Committee)*
Mr. Hsu Shui Sheng	*(Vice-Chairman and Member of the Executive Committee)*
Mr. Pak Ping Chun	*(Member of the Executive Committee)*
Mr. Yang Hsien Lin	*(Member of the Executive Committee)*
Mr. Lau Chi Yan, Pierre	*(Member of the Executive Committee)*

Independent non-executive directors:

Dr. Hsiao Horng Ching	*(Chairman of the Remuneration Committee and Member of the Audit Committee)*
Mr. Cheng Yung Hui	*(Member of both the Audit Committee and the Remuneration Committee)*
Mr. Lu Zi Chin	*(Chairman of the Audit Committee)*

The relationships among the members of the Board are disclosed under "Directors and Senior Management Profile" in this annual report.

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company.

The members of the Board have experience and skills appropriate for the business requirements and objectives of the Group. Each executive director supervises specific area of the Group's business in accordance with his expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company.

Corporate Governance Report

On 31 December 2008, Mr. Leung Hok Lim, who possesses appropriate professional qualifications and accounting and related financial management expertise, resigned as an independent non-executive director and the chairman of the Audit Committee of the Company. After the resignation of Mr. Leung Hok Lim, there were left with two independent non-executive directors and two members in the Audit Committee of the Company, namely Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui. Accordingly, the Company was unable to comply with (a) Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three independent non-executive directors; (b) Rule 3.10(2) of the Listing Rules, which prescribes that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; and (c) Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors (the majority of whom should be independent non-executive directors) and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company had subsequently fully complied with the aforesaid Listing Rules upon its appointment of Mr. Lu Zi Chin, who has appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules, as an independent non-executive director and the chairman of the Audit Committee of the Company on 23 March 2009. Details of the above-mentioned changes are set out in the Company's announcements dated 31 December 2008 and 23 March 2009 respectively.

The Company has received written annual confirmation of independence from each independent non-executive director pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

A3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Hsu Chen Shen currently holds the offices of Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has about 31 years of experience in the lighting industry. The Board believes that this structure provides the Group with strong and consistent leadership and considers that Mr. Hsu is the most capable person to guide discussion among Board members on the Group development and planning, leading to more effective and efficient decision making and execution of business strategies on a long-term basis. As such, it is beneficial to the business prospects of the Group.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. Nonetheless, the Board shall review its structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Corporate Governance Report

A4. APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment.

Pursuant to the aforesaid, Mr. Lau Chi Yan, Pierre, who was appointed as an executive director of the Company on 9 September 2009, shall retire and, being eligible, offer himself for re-election at the forthcoming 2010 annual general meeting of the Company. In addition, Mr. Hsu Shui Sheng, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui shall retire by rotation and, being eligible, offer themselves for re-election at the said annual general meeting. The Board recommended the re-appointment of these four retiring directors standing for re-election at the said annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of these four directors in accordance with the Listing Rules.

Each of the executive directors of the Company, except Mr. Lau Chi Yan, Pierre whose term of office is 3 years, is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than 3 months' written notice. The term of office of each of the Company's three independent non-executive directors is 2 years.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. The Company has adopted Directors' Nomination Procedures as a written guideline in providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. An external recruitment agency may be engaged to carry out the recruitment and selection process when necessary.

During the year ended 31 December 2009, the Board, through its meetings held on 21 April 2009 (with the presence of Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mr. Pak Ping Chun, Mr. Yang Hsien Lin, Mr. Hsu Chiang Lung, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui), and 20 March 2009, 28 July 2009 and 8 September 2009 (with the presence of Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin at such meetings), performed the following works regarding matters relating to the Board composition:

(i) review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors at the 2009 annual general meeting of the Company; and assessment of the independence of all the Company's then independent non-executive directors;

(ii) appointment of Mr. Lu Zi Chin as an independent non-executive director and the chairman of the Audit Committee of the Company;

(iii) acceptance of the resignation of Mr. Hsu Chiang Lung as an executive director of the Company; and

(iv) appointment of Mr. Lau Chi Yan, Pierre as an executive director of the Company.

Corporate Governance Report

A5. TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. As recommended by the Hong Kong Companies Registry, the "Non-statutory Guidelines on Directors' Duties"/"A Guide on Directors' Duties" published by the Registry has been given to the Company's directors to provide them with more information on the general duties of directors, and the required standard of care, skill and diligence in the performance of their functions and exercise of their powers as directors.

Continuing briefings and professional development to directors will be arranged whenever necessary.

A6. BOARD MEETING

A6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to all directors together with the notice of meeting in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chief Financial Officer, Company Secretary and senior management normally attend regular Board meetings and when necessary, other Board meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Company.

The Company Secretary is responsible to take and keep minutes of all Board meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Company's Bye-laws contains provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting.

Corporate Governance Report

A6.2 Directors' Attendance Records in Board Meetings

During the year ended 31 December 2009, 14 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the Board meetings during the year ended 31 December 2009 are set out below:

Name of Director	**Attendance/Number of Board Meetings**
Executive directors	
Mr. Hsu Chen Shen	8/14
Mr. Hsu Shui Sheng	14/14
Mrs. Hsu Wei Jui Yun *(Note 1)*	6/14
Mr. Pak Ping Chun	14/14
Mr. Yang Hsien Lin	12/14
Mr. Hsu Chiang Lung *(Note 2)*	3/5
Mr. Lau Chi Yan, Pierre *(Note 3)*	3/7
Independent non-executive directors	
Dr. Hsiao Horng Ching	2/14
Mr. Cheng Yung Hui	2/14
Mr. Lu Zi Chin *(Note 4)*	1/11

Notes:

1. Mrs. Hsu Wei Jui Yun resigned as an executive director of the Company on 13 January 2010.

2. Mr. Hsu Chiang Lung resigned as an executive director of the Company on 29 July 2009. Before his resignation, there were a total of 5 Board meetings held during the year ended 31 December 2009.

3. Mr. Lau Chi Yan, Pierre was appointed as an executive director of the Company on 9 September 2009. Subsequent to his appointment, there were a total of 7 Board meetings held during the year ended 31 December 2009.

4. Mr. Lu Zi Chin was appointed as an independent non-executive director of the Company on 23 March 2009. Subsequent to his appointment, there were a total of 11 Board meetings held during the year ended 31 December 2009.

Corporate Governance Report

A7. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. Each director has been given a copy of the Own Code. Specific enquiry has been made of all the Company's directors and they have confirmed their compliance with the Own Code and the Model Code throughout the year ended 31 December 2009.

The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

B. BOARD COMMITTEE

The Board has established three Board committees, namely, the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The practices, procedures and arrangements in conducting meetings of Board committees follow in line with, so far as practicable, those of the Board meetings set out in section A6.1 above.

B1. EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Hsu Chen Shen, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Corporate Governance Report

B2. REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three members, being one executive director, Mr. Hsu Chen Shen, and two independent non-executive directors, namely, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui. The chairman of the Remuneration Committee is Dr. Hsiao Horng Ching.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 December 2009, the Remuneration Committee has met once with all the Committee members (i.e. Mr. Hsu Chen Shen, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui) present at the meeting. In this meeting, the members had generally reviewed the remuneration packages of the executive directors and the senior management.

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2009 are set out in note 9 to the financial statements contained in this annual report.

B3. AUDIT COMMITTEE

The Audit Committee comprises a total of three members, being the three independent non-executive directors, namely, Mr. Lu Zi Chin, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui. The chairman of the Audit Committee is Mr. Lu Zi Chin who possesses the appropriate professional qualifications and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee has met twice and performed the following major tasks:

– Review and discussion of the annual financial statements, results announcement and report for the year ended 31 December 2008, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's internal control and risk management review and processes; and recommendation of the re-appointment of the external auditor; and

Corporate Governance Report

– Review and discussion of the interim financial statements, results announcement and report for the six months ended 30 June 2009, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The external auditor attended one of the meetings, without the presence of executive directors, to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of the foregoing 2 Audit Committee meetings are set out as follows:

Name of Audit Committee Member	**Attendance/Number of Audit Committee Meetings**
Mr. Lu Zi Chin *(Chairman) (Note)*	2/2
Dr. Hsiao Horng Ching	2/2
Mr. Cheng Yung Hui	2/2

Note: Mr. Lu Zi Chin was appointed as an independent non-executive director and the chairman of the Audit Committee of the Company on 23 March 2009. Before his appointment, there was no Audit Committee meeting held during the year ended 31 December 2009.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2009.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interests of shareholders and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee/the Board on any findings and measures to address the variances and identified risks.

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Corporate Governance Report

E. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

On 18 August 2009, Grant Thornton resigned as auditor of the Company and Elite Partners CPA Limited was appointed as the new auditor to fill the said vacancy. Details of the above-mentioned change are set out in the Company's announcement dated 19 August 2009.

The statement of the external auditor of the Company about its reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Elite Partners CPA Limited in respect of audit services and non-audit services for the year ended 31 December 2009 are analyzed below:

Type of services provided by the external auditor	**Fees paid/payable** *HK$'000*
Audit services – audit fee for the year ended 31 December 2009	1,000
Non-audit services	Nil
TOTAL:	1,000

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.big1163.com, as a communication platform with shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

Shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

The 2009 annual general meeting ("2009 AGM") was held on 5 June 2009. The notice of 2009 AGM was sent to shareholders at least 20 clear business days before the 2009 AGM.

During the year under review, the Company also convened a special general meeting and at least 10 clear business days' notice was given for this meeting.

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, the Chairman of the Company, was unable to attend the 2009 AGM due to his other business engagement. However, he had delegated Mr. Pak Ping Chun, an executive director of the Company who is well versed in all the business activities and operations of the Group, to attend and chair the meeting and had a face-to-face dialogue with shareholders at the meeting on his behalf.

Corporate Governance Report

G. SHAREHOLDER RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, the rights of shareholders for proposing resolutions are contained in the Company's Bye-laws.

All resolutions put forward at shareholders' meetings of the Company shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.big1163.com) after each shareholders' meeting.

Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 20 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 113.

The directors did not recommend the payment of a final dividend in respect of the year ended 31 December 2009.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**691,775**	683,154	816,863	806,413	774,573
PROFIT BEFORE INCOME TAX	**89,002**	32,942	23,114	60,060	53,811
INCOME TAX EXPENSE	**(14,270)**	(7,287)	(4,902)	(4,735)	(5,807)
PROFIT FOR THE YEAR	**74,732**	25,655	18,212	55,325	48,004
Attributable to:					
Equity holders of the Company	**74,732**	25,655	18,212	55,325	48,004
	74,732	25,655	18,212	55,325	48,004

Directors' Report

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**1,063,702**	723,247	740,417	660,655	598,700
TOTAL LIABILITIES	**(353,466)**	(239,949)	(223,228)	(207,255)	(179,912)
	710,236	483,298	517,189	453,400	418,788

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in Notes 15 and 16 to the financial statements, respectively.

Further details of the Group's investment properties are set out on page 114.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in Notes 36 and 37 to the financial statements, respectively.

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 its existing shareholders.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, the Company repurchased its own listed shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price per share paid	Lowest price per share paid	Aggregate price paid
		HK$	*HK$*	*HK$*
January 2009	3,552,000	0.350	0.325	1,232,330

The repurchased shares were cancelled in January 2009 and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$193,092,000. In addition, the Company's share premium account, in the amount of HK$194,520,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 83% of the total sales for the year and sales to the largest customer included therein amounted to approximately 49%. Purchases from the Group's five largest suppliers accounted for approximately 33% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

Directors' Report

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Hsu Chen Shen	
Hsu Shui Sheng	
Hsu Wei Jui Yun	(resigned on 13 January 2010)
Pak Ping Chun	
Yang Hsien Lin	
Hsu Chiang Lung	(resigned on 29 July 2009)
Lau Chi Yan, Pierre	(appointed on 9 September 2009)

Independent non-executive directors:

Hsiao Horng Ching	
Cheng Yung Hui	
Lu Zi Chin	(appointed on 23 March 2009)

In accordance with clause 87 of the Company's Bye-laws, Mr. Hsu Shui Sheng, Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui will retire by rotation at the Company's forthcoming annual general meeting to be held on 3 May 2010. In addition, pursuant to clause 86(2)(b) of the Company's Bye-laws, Mr. Lau Chi Yan, Pierre, who was appointed by the Board during the year, will also retire at the said annual general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 10 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

All the executive directors of the Company (except Mr. Lau Chi Yan, Pierre) entered into service contracts with the Company in 1999 which will continue and are subject to termination by either party giving not less than three months' prior notice in writing.

On 9 September 2009, Mr. Lau Chi Yan, Pierre entered into a service contract with the Company for a term of 3 years commencing on 9 September 2009, which is subject to termination by either party giving not less than 3 months' prior notice in writing.

On 17 March 2003, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng and Mr. Yang Hsien Lin entered into new service contracts with the Company which ratified as commencing on 21 October 2002. These service contracts will continue and are subject to termination by either party giving not less than 3 months' prior notice in writing.

Pursuant to Rule 13.69 of the Listing Rules, the aforementioned service contracts between the Company and its executive directors are exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

Directors' Report

DIRECTORS' SERVICE CONTRACTS (continued)

On 11 October 2009, Mr. Cheng Yung Hui entered into a service contract with the Company for a term of 2 years commencing on 11 October 2009.

On 19 May 2008, Dr. Hsiao Horng Ching entered into a service contract with the Company for a term of 2 years commencing on 19 May 2008.

On 23 March 2009, Mr. Lu Zi Chin entered into a service contract with the Company for a term of 2 years commencing on 23 March 2009.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 42 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2009, the interests of the directors of the Company in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long position in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Mr. Hsu Chen Shen *(Note)*	Beneficial owner	109,296,000	10.47
Mr. Hsu Shui Sheng	Beneficial owner	64,746,000	6.20
Mr. Pak Ping Chun	Beneficial owner	5,144,000	0.49
Mr. Yang Hsien Lin	Beneficial owner	5,144,000	0.49
Mrs. Hsu Wei Jui Yun *(Note)*	Interest held by spouse	109,296,000	10.47

Note: Mrs. Hsu Wei Jui Yun was deemed to be interested in 109,296,000 shares of the Company through the interest of her spouse, Mr. Hsu Chen Shen. Mrs. Hsu Wei Jui Yun resigned as an executive director of the Company on 13 January 2010.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2009.

In addition to the above, a director of the Company holds a share in a Hong Kong subsidiary of the Company in a non-beneficial capacity for the benefit of the Group, solely for the purpose of complying with the previous minimum company membership statutory requirement.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Save as disclosed above and in Note 37 to the financial statements, as at 31 December 2009, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights of such interests to/by them during the year ended 31 December 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in Note 37 to these financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2009, the following parties had interests of 5% or more in the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	**Long/short position**	**Capacity**	**Number of ordinary shares held/interested**	*Note*	**Percentage+ of the Company's issued share capital**
Ms. Ho Yueh Ying	Long	Interest held by spouse	64,746,000	*1*	6.20
Knight Asia Investments Limited	Long	Beneficial owner	100,000,000	*2*	9.58
Mr. Cheung Wai Yin, Wilson	Long	Interest held by controlled corporation	100,000,000	*2*	9.58

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Notes:

1. Ms. Ho Yueh Ying was deemed to be interested in 64,746,000 shares of the Company through the interest of her spouse, Mr. Hsu Shui Sheng, an executive director of the Company. Such interest of Mr. Hsu Shui Sheng has been disclosed in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above.

2. Mr. Cheung Wai Yin, Wilson was deemed to be interested in 100,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

\+ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details of movements of share options of the Company during the year ended 31 December 2009 are set out in Note 37 to these financial statements. No share options were granted or cancelled or lapsed during the year ended 31 December 2009.

The total number of shares of the Company currently available for issue under the share option scheme is 20,586,000 shares, representing approximately 1.95% of the issued share capital of the Company as at the date of this annual report.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had related party transactions, as detailed in Note 42 to the financial statements. The transaction as detailed in Note 42(a) to the financial statements also constituted a continuing connected transaction under the Listing Rules. In the opinion of the directors, such continuing connected transaction was conducted in the normal commercial terms and was exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

AUDITOR

Elite Partners CPA Limited has been appointed as auditor of the Company with effect from 18 August 2009 to fill the vacancy left by the resignation of Grant Thornton.

Elite Partners CPA Limited will retire at the conclusion of the Company's forthcoming annual general meeting and a resolution for its re-appointment as auditor of the Company will be proposed at the said meeting.

ON BEHALF OF THE BOARD
Hsu Chen Shen
Chairman

Hong Kong
5 March 2010

Independent Auditor's Report

開元信德會計師事務所有限公司
ELITE PARTNERS CPA LIMITED
Certified Public Accountants

Suites 511-512, 5th Floor,
Lippo Sun Plaza,
28 Canton Road,
Kowloon,
Hong Kong

To the members of Bright International Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Bright International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 113, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

Independent Auditor's Report

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

Opinion

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

Elite Partners CPA Limited
Certified Public Accountants
Hong Kong, 5 March 2010

Yip Kai Yin
Practicing Certificate Number P05131

Consolidated Income Statement

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	6(a)	**691,775**	683,154
Cost of sales		**(485,173)**	(495,790)
Gross profit		**206,602**	187,364
Other income and gains	6(b)	**99,558**	8,371
Selling and distribution costs		**(30,622)**	(31,247)
Administrative expenses		**(116,252)**	(107,006)
Other operating expenses		**(35,966)**	(23,587)
Operating profit		**123,320**	33,895
Finance costs	7	**(34,318)**	(953)
Profit before income tax	8	**89,002**	32,942
Income tax expense	11	**(14,270)**	(7,287)
Profit for the year		**74,732**	25,655
Attributable to:			
Owners of the Company		**74,732**	25,655
Dividends	13	**–**	15,589
Earnings per share			
– Basic	14(a)	**11.48 HK cents**	5.0 HK cents
– Diluted	14(b)	**–**	5.0 HK cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year		**74,732**	25,655
Other comprehensive income/(loss):			
Revaluation of land and buildings:			
– Surplus/(Deficit) on revaluation of land and buildings		**8,584**	(66,679)
– Disposal of subsidiaries	*45*	**(11,381)**	–
– Income tax effect		**(2,087)**	14,990
		(4,884)	(51,689)
Exchange differences arising from:			
– Translation of foreign subsidiaries		**(1,283)**	6,012
– Acquisition of subsidiaries	*44*	**75**	–
– Disposal of subsidiaries	*45*	**(18,229)**	–
		(19,437)	6,012
Other comprehensive loss for the year		**(24,321)**	(45,677)
Total comprehensive income/(loss) for the year		**50,411**	(20,022)
Attributable to:			
Owners of the Company		**50,411**	(20,022)

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	15	178,162	245,805
Investment properties	16	3,850	3,850
Land use rights	17	30,669	–
Biological assets	18	331,000	–
Goodwill	19	9,379	22,127
		553,060	271,782
Current Assets			
Inventories	21	118,512	128,797
Trade and bills receivables	22	135,392	117,000
Financial assets at fair value through profit or loss	23	2,937	3,837
Held-to-maturity investments	24	–	33,529
Investment deposits	25	30,000	–
Prepayments, deposits and other receivables	26	51,491	29,009
Cash and cash equivalents	27	172,310	85,100
		510,642	397,272
Property classified as held for sale	28	–	54,193
		510,642	451,465
Total Assets		1,063,702	723,247
EQUITY			
Equity attributable to Company's equity holders			
Share capital	36	104,378	51,899
Reserves	38	605,858	431,399
Total Equity		710,236	483,298

Consolidated Statement of Financial Position

As at 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	33	**96,646**	11,564
		96,646	11,564
Current Liabilities			
Bank borrowings	29	**47,901**	53,511
Trade payables	30	**109,970**	95,747
Other payables and accruals	31	**54,649**	42,137
Amount due to a related company	32	**430**	468
Provision for tax		**43,870**	36,522
		256,820	228,385
Total Liabilities		**353,466**	239,949
Total equity and liabilities		**1,063,702**	723,247
Net current assets		**253,822**	223,080
Total assets less current liabilities		**806,882**	494,862
Net assets		**710,236**	483,298

Approved and authorised for issue by the board of directors on 5 March 2010.

Hsu Chen Shen
Director

Hsu Shui Sheng
Director

Statement of Financial Position

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-Current Assets			
Interests in subsidiaries	*20*	**450,385**	326,030
Current Assets			
Investment deposits	*25*	**30,000**	–
Prepayments, deposits and other receivables	*26*	**14,328**	229
Cash and cash equivalents	*27*	**1,138**	1,436
		45,466	1,665
Total Assets		**495,851**	327,695
EQUITY			
Equity attributable to Company's equity holders			
Share capital	*36*	**104,378**	51,899
Reserves	*38*	**388,432**	271,713
Total Equity		**492,810**	323,612
LIABILITIES			
Current Liabilities			
Other payables and accruals	*31*	**1,835**	1,623
Financial guarantee contracts	*40*	**1,206**	2,460
Total Liabilities		**3,041**	4,083
Total equity and liabilities		**495,851**	327,695
Net current asset/(liabilities)		**42,425**	(2,418)
Total assets less current liabilities		**492,810**	323,612
Net assets		**492,810**	323,612

Approved and authorised for issue by the board of directors on 5 March 2010.

Hsu Chen Shen
Director

Hsu Shui Sheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Attributable to the equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes reserve HK$'000	Share repurchase reserve HK$'000	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
Balance as at 1 January 2008	51,450	66,852	286	–	–	78,774	17,470	1,111	299,188	2,058	517,189
Profit and total comprehensive loss for the year	–	–	–	–	–	(51,689)	6,012	–	25,655	–	(20,022)
	51,450	66,852	286	–	–	27,085	23,482	1,111	324,843	2,058	497,167
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	2,465	–	–	2,465
Exercise of share options	514	2,324	–	–	–	–	–	(411)	–	–	2,427
Repurchase and cancellation of shares	(65)	(192)	–	–	–	–	–	–	–	–	(257)
Repurchase of shares and pending for cancellation	–	–	–	–	(857)	–	–	–	–	–	(857)
Final 2007 dividend paid	–	–	–	–	–	–	–	–	–	(2,058)	(2,058)
Interim 2008 dividend paid	–	–	–	–	–	–	–	–	(15,589)	–	(15,589)
Balance as at 31 December 2008 and at 1 January 2009	**51,899**	**68,984**	**286**	**–**	**(857)**	**27,085**	**23,482**	**3,165**	**309,254**	**–**	**483,298**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(4,884)**	**(19,437)**	**–**	**74,732**	**–**	**50,411**
	51,899	**68,984**	**286**	**–**	**(857)**	**22,201**	**4,045**	**3,165**	**383,986**	**–**	**533,709**
Cancellation of own shares relating to repurchase in previous year	**(252)**	**(605)**	**–**	**–**	**857**	**–**	**–**	**–**	**–**	**–**	**–**
Repurchase and cancellation of own shares	**(355)**	**(877)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,232)**
Issuance of convertible notes	**–**	**–**	**–**	**13,495**	**–**	**–**	**–**	**–**	**–**	**–**	**13,495**
Deferred tax relating to transactions with owners	**–**	**–**	**–**	**(2,227)**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,227)**
Conversion of convertible notes	**40,000**	**60,000**	**–**	**(11,268)**	**–**	**–**	**–**	**–**	**–**	**–**	**88,732**
Exercise of share options	**3,086**	**14,872**	**–**	**–**	**–**	**–**	**–**	**(2,344)**	**–**	**–**	**15,614**
Placing of shares	**10,000**	**53,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**63,000**
Share issuance expenses	**–**	**(855)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(855)**
At 31 December 2009	**104,378**	**194,519**	**286**	**–**	**–**	**22,201**	**4,045**	**821**	**383,986**	**–**	**710,236**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before income tax	**89,002**	32,942
Adjustments for:		
Finance costs	**1,056**	953
Imputed interests on promissory notes	**31,880**	–
Interest income	**(628)**	(2,050)
Dividend income received from financial assets at fair value through profit or loss	**(104)**	–
Interest income from held-to-maturity investments	**–**	(843)
Gain on disposal of property, plant and equipment	**(18,457)**	(109)
Gain arising from changes in fair value less estimated point-of-sale	**(16,000)**	–
Gain on disposal of subsidiaries	**(61,620)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(296)**	–
Depreciation	**24,396**	31,208
Amortisation of land use rights	**620**	–
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(577)**	2,596
Impairment of goodwill	**18,066**	–
Share based payment	**–**	2,465
Provision for obsolete inventories	**16,175**	–
Provision for impairment of trade receivables	**6,149**	4,439
Write-off of items of property, plant and equipment	**–**	406
Write down of inventories to net realisable value	**–**	1,725
Fair value loss of investment properties	**–**	720
Operating profit before working capital changes	**89,662**	74,452
(Increase)/Decrease in inventories	**(5,890)**	2,926
Increase in trade and bills receivables	**(24,541)**	(15,455)
(Increase)/Decrease in prepayments, deposits and other receivables	**(32,662)**	2,288
Increase/(Decrease) in trade payables	**14,223**	(146)
Increase/(Decrease) in other payables and accruals	**17,489**	(3,834)
Cash generated from operations	**58,281**	60,231
Interest received	**628**	2,050
Interest paid	**(1,056)**	(953)
Dividends income received	**104**	–
Dividends paid	**–**	(17,647)
Corporate income tax paid	**(1,172)**	(861)
Net cash generated from operating activities	**56,785**	42,820

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(11,934)**	(24,125)
Proceeds from disposal of property, plant and equipment		**74,985**	385
Proceeds from disposal of financial assets at fair value through profit or loss		**1,773**	2,296
Purchases of financial assets at fair value through profit or loss		**–**	(5,910)
Purchases of held-to-maturity investments		**–**	(32,686)
Proceed received from held-to-maturity investments		**33,529**	–
Payment for deposit of acquisition of subsidiaries		**(30,000)**	–
Cash effect of acquisition of subsidiaries	*44*	**1**	–
Cash effect of disposal of subsidiaries	*45*	**92,539**	–
Net cash generated from/(used in) investing activities		**160,893**	(60,040)
Cash flows from financing activities			
Increase of discounted bills with recourse		**17,377**	6,278
Proceeds from bank loans		**–**	34,170
Repayment of bank loans		**(22,500)**	(11,670)
Settlement of promissory notes		**(200,000)**	–
Proceeds from placing of shares		**63,000**	–
Repurchase of shares		**(1,232)**	(1,114)
Proceeds received from exercise of share options		**15,614**	2,427
Net cash (used in)/generated from financing activities		**(127,741)**	30,091
Net increase in cash and cash equivalents		**89,937**	12,871
Cash and cash equivalents at 1 January		**84,613**	74,009
Effect of foreign exchange rate changes, net		**(2,240)**	(2,267)
Cash and cash equivalents at 31 December		**172,310**	84,613
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**168,768**	82,043
Non-pledged time deposits with original maturity of less than three months when acquired		**3,542**	3,057
Bank overdrafts		**–**	(487)
		172,310	84,613

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

Bright International Group Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in Note 20 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars, which is the same functional currency of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations adopted in the current period

In the current year, the Group has adopted the following new standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKIPCA") which are relevant to and effective for the Group's financial period beginning on 1 January 2009:

HKAS 1 (revised)	Presentation of Financial Statements
HKAS 23 (revised)	Borrowing costs
HKAS 27 & HKFRS 1 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising Liquidation
HKFRS 2 (Amendments)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improvement the disclosure of financial instruments
HKFRS 8	Operating Segments
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
Improvement to HKFRS	Annual Improvements to HKFRS 2008, except for amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

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

2.1 Standards and Interpretations adopted in the current period (continued)

HKAS 1 (revised) – Presentation of Financial Statements

This revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. This revised standard separates owner and non-owner changes in equity. The consolidated statement of changes of equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. This revised standard also introduces the statements of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKFRS 2 (Amendments) – Share-based Payment – Vesting Conditions and Cancellations

This amendment clarifies the definition of vesting conditions for the purpose of HKFRS 2 and clarifies the accounting treatment for an award that is cancelled. This amendment does not have an impact on the financial position or performance of the Group.

HKFRS 7 (Amendments) – Financial Instruments: Disclosures

This amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. These amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. This amendment does not have an impact on the financial position or performance of the Group.

HKFRS 8 – Operating Segments

This standard replaced HKAS 18 Segment Reporting upon its effective date. This standard affected the disclosure that has resulted in a redesignation of the Group's reportable segments. HKFRS 8 disclosures are shown in Note 5 to the consolidated financial statements, including the related revised comparative information. This standard does not have an impact on the financial position or performance of the Group, but affected presentation and disclosure of the consolidated financial statements.

HKAS 23 (Revised) – Borrowing Costs

The revised standard requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This amendment does not have an impact on the financial position or performance of the Group.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

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

2.2 Standards and Interpretations in issued but not yet adopted

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2009:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
Improvement to HKFRS	Annual Improvements to HKFRS 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[3]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[5]
HK(IFRIC)-INT 19	Extinguishing Financial Liabilities with Equity Instruments[8]

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 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 2 February 2010
4 Effective for annual periods beginning on or after 1 January 2010
5 Effective for transfers on or after 1 July 2009
6 Effective for annual periods beginning on or after 1 January 2011
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 July 2010

HKFRS 3 (Revised) – Business Combinations and HKAS 27 (Amended) – Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduced significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

HKAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes by HKFRS 3 (Revised) and HKAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change of accounting policy was applied prospectively and had no material impact on the financial position or performance of the Group.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

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

2.2 Standards and Interpretations in issued but not yet adopted (continued)

HKFRS 9 – Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 – Financial Instruments: Recognition and Measurement to be measured at either amortised cost of fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

Annual Improvement to HKFRS 2009

As part of Improvements to HKFRS 2009, HKAS 17 – Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The Directors are currently assessing the impact of the above new HKFRSs upon initial application. Except as disclosed above, the Directors have preliminarily concluded that the initial application of the above new HKFRSs is unlikely to have a significant impact on the Group's results and financial position.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include the applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange.

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of investment properties; leasehold land and buildings, biological assets and financial instruments classified as financial assets at fair value through profit or loss; and derivative financial instruments which are stated at fair values.

The preparation of consolidated financial statements in accordance with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 to the consolidated financial statements.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the estimation of fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Subsidiaries (continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's statement of financial position, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

3.4 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Property, plant and equipment

Leasehold land and buildings (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of leasehold land and buildings is credited to the revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in Note 3.16. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of leasehold land and buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	over the lease terms
Leasehold improvements	20%
Plant, machinery and moulds	10% – 33%
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting period. The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of leasehold land and buildings.

Construction in progress represents factory buildings, plant and machinery under construction and installation, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Biological assets

Biological assets represent timber holdings and are measured at fair value less estimated point-of-sale costs. The fair value of biological assets is determined based on the income capitalisation approach. This approach determines value based on the income-producing potential of the trees being appraised. Change in fair value less estimated point-of sale costs of the biological assets is included in profit or loss for the year in which it arises.

3.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the consolidated statement of financial position reflect the prevailing market conditions at the end of the reporting period.

Gain or loss arising from change in the fair value of an investment property is included in profit or loss for the year in which they arise.

3.8 Land use rights

All lands in the PRC are state-owned and no individual land ownership right exists. The Group acquired the rights to use certain lands and the premiums paid for such rights are recorded as land use rights, which are stated at cost and amortised over the lease term using the straight-line method.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Expenditure incurred on projects to develop new products is capitalised and deferred only when they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the Group has the intention to complete the development and use or sell the new products;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

3.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated selling expenses.

Property, plant and equipment once classified as held for sales are not depreciated.

3.11 Financial assets

The Group classifies its financial assets into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial investment and loans and receivables.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

3.11.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised in profit or loss on an effective interest basis.

3.11.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if:

– it has been acquired principally for the purpose of selling it in the near term;

– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the year in which they arise.

3.11.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

3.11.4 Available-for-sale financial investment

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

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.11.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

3.11.6 Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial assets (continued)

3.11.7 Impairment of financial assets

At the end of each reporting period, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the year in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the year in which the reversal occurs.

For available-for-sale financial investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When available-for-sale financial investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period. Impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of presentation in the statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.14 Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.14.1 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3.14.2 Compound instruments

The component parts of compound instruments (convertible note) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial liabilities and equity instruments issued by the Group (continued)

3.14.3 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised in profit or loss on an effective interest basis.

3.14.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

3.14.5 Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

– it has been acquired principally for the purpose of repurchasing it in the near term;

– on initial recognition it is part of a portfolio of identified financial instruments that the Group manages tighter and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3.14.6 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Financial liabilities and equity instruments issued by the Group (continued)

3.14.7 Derecognition

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

3.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the proceeds, net of any related income tax benefits, to the extent that they are incremental costs directly attributable to the equity transaction.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity owners of the Company.

3.16 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, property, plant and equipment and interests in subsidiaries are subject to impairment testing.

Goodwill with an indefinite useful life is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to Note 3.5 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Impairment of non-financial assets (continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 Foreign currency translation

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

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the date of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the date of the reporting period retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the date of the reporting period. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Revenue recognition

Revenue comprises the fair value for the sale of goods and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

– Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

– Interest income is recognised on a time-proportion basis using the effective interest method.

– Rental income is recognised on a time-proportion basis over the lease terms.

3.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3.20 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Income taxes (continued)

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in equity if they relate to items that are charged or credited directly to equity.

3.21 Retirement benefit costs and short term employee benefits

Retirement benefits to employees are provided through defined contribution plans.

3.21.1 Defined contribution plan

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Hong Kong Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong and Macau (the "PRC"), subsidiaries of the Company operating in the PRC participate in a local municipal government retirement benefits scheme (the "PRC Scheme"), whereby the subsidiaries are required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to profit or loss as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.21 Retirement benefit costs and short term employee benefits (continued)

3.21.2 Short term employee benefits

(i) Provisions for bonus due are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.22 Share-based employee compensation

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.23 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

3.23.1 Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see Note 3.7); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see Note 3.5). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

3.23.2 Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

3.23.3 Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. 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 over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straightline basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Contingent rentals are recognised as income in the accounting period in which they are earned.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.25 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of revenues, expenses, assets and liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful life of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also perform annual reviews on whether the assumptions made on useful lives continue to be valid.

Revaluation of land and buildings and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. In addition, the Group measures land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value for its land and building and investment properties as at 31 December 2009. The valuation techniques used by the valuer for land and buildings and investment properties are disclosed in Note 15 and Note 16 respectively.

Estimated impairment of assets

The Group tests annually whether the assets has suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Estimation uncertainty (continued)

Estimated impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2009 was approximately HK$9,379,000 (2008: HK$22,127,000).

Share-based payment

The fair value of options granted are estimated by independent professional valuer based on the various assumptions of volatility, life of options, dividend yield and annual risk-free rate, excluding the impact of non-market vesting conditions, which generally represent the best estimate of the fair value of the option at the date of granting the options.

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassess the impairment of receivables at the end of the reporting period.

Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which the tax outcome is realisable.

Fair values of biological assets

The Group's management estimates the current market prices for biological assets at the end of reporting period less estimated point-of-sales costs with reference to market prices and professional valuations. Management considers that there is presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Estimation uncertainty (continued)

Fair values of biological assets (continued)

The Group's forestry business is subject to the usual agricultural hazards from fire, wind and insects. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate preventive measures are in place and the relevant legislation under forestry law in the PRC will assist in minimising exposure. Nevertheless, un-anticipated factors affecting harvestable agricultural produce may result in re-measurement or harvest losses in future accounting periods.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the end of the reporting period.

Fair value of financial assets and instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

5. SEGMENT INFORMATION

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segment with no separate analysis of financial information by business segment is presented as over 90% of the Group's revenue, results and assets are derived from the design, manufacturing and sale of lighting products. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

In prior years, segment information reported externally was analysed on the location of customers (i.e, United States of America, the PRC, Canada and other countries). However, information reported to the chief operating decision maker, directors of the Company, is more specifically focused on the market of the Group's operating divisions. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Lighting business – Export markets
   – PRC markets
2. Forestry business

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

5. SEGMENT INFORMATION (continued)

5.1 Operating segment information

For the year ended 31 December 2009

Segment revenue and results

	Lighting business				
	Export markets *HK$'000*	PRC markets *HK$'000*	Forestry business *HK$'000*	Others *HK$'000*	Total reportable segments *HK$'000*
Segment revenue	643,018	48,757	–	–	691,775
Segment results[2]	188,074	18,528	–	–	206,602
Unallocated corporate income					98,930
Interest income					628
Unallocated corporate expenses					(182,840)
Finance costs					(34,318)
Profit before taxation					89,002

Segment assets, liabilities and other segment information

	Lighting business[1] *HK$'000*	Forestry business *HK$'000*	Others *HK$'000*	Total reportable segments *HK$'000*
Segment assets	678,740	375,658	9,304	1,063,702
Segment liabilities	251,957	85,535	15,974	353,466
Other segment information:				
Depreciation and amortisation	24,496	520	–	25,016
Impairment of trade receivables	6,149	–	–	6,149
Capital expenditures	9,086	–	–	9,086
Gain arising from changes in fair value less estimated point-of-sale cost of timer holdings	–	(16,000)	–	(16,000)

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

5. SEGMENT INFORMATION (continued)

5.1 Operating segment information (continued)

For the year ended 31 December 2008

Segment revenue and results

	Lighting business				
	Export markets HK$'000	PRC markets HK$'000	Forestry business HK$'000	Others HK$'000	Total reportable segments HK$'000
Segment revenue	630,845	52,309	–	–	683,154
Segment results	166,357	21,007	–	–	187,364
Unallocated corporate income					5,478
Interest income					2,893
Unallocated corporate expenses					(161,840)
Finance costs					(953)
Profit before taxation					32,942

Segment assets, liabilities and other segment information

	Lighting business[1] HK$'000	Forestry business HK$'000	Others HK$'000	Total reportable segments HK$'000
Segment assets	711,745	–	11,602	723,347
Segment liabilities	224,208	–	15,741	239,949
Other segment information:				
Depreciation and amortisation	31,208	–	–	31,208
Impairment of trade receivables	4,439	–	–	4,439
Capital expenditures	24,125	–	–	24,125

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

5. SEGMENT INFORMATION (continued)

5.1 Operating segment information (continued)

1. For internal reports that are regularly reviewed by the chief operating decision maker, Lighting business for both export markets and PRC markets are considered as one reportable segments for the purpose of allocating resources to segments and to assessing their performance for segment assets, segment liabilities and other segment information.

2. Segment result represents the profit earned by each segment without allocation of corporate income and expenses, central administrative expenses, directors' salaries, gain on disposal of property, plant and equipment and finance cost. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

3. For the purposes of monitoring segment performances and allocating resources between segments:

   – all assets are allocated to reportable segments other than goodwill, intangible assets and assets used jointly reportable segments.

   – all liabilities are allocated to reportable segments other than derivative financial instruments, bank borrowings, deferred tax liabilities and liabilities for which reportable segments are jointly liable.

5.2 Geographical information

The Group's operations are located in the following geographical areas. The following table provides an analysis of the Group's revenue from external customers and assets by geographical location:

	Segment revenue from external customers		Segment assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States of America	**600,011**	566,977	**158,186**	140,011
The PRC	**48,757**	52,309	**769,444**	492,937
Canada	**23,626**	26,297	**21,911**	40,077
Others*	**19,381**	37,571	**114,161**	50,222
	691,775	683,154	**1,063,702**	723,247

* Others represents unallocated items.

5.3 Information about major customers

Included in revenues arising from sales of lighting products of approximately HK$691,775,000 (2008: HK$683,154,000) are revenues of approximately HK$338,643,000 (2008: HK$312,622,000) which arose from sales to the Group's largest customer.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

		Group	
		2009	2008
		HK$'000	*HK$'000*
(a)	**Revenue**		
	Sales of lighting products	**691,775**	683,154
(b)	**Other income:**		
	Gross rental income from investment properties	**765**	756
	Bank interest income	**628**	2,050
	Interest income on held-to-maturity investment	**–**	843
	Dividend income received from financial assets at fair value through profit or loss	**104**	–
	Others	**1,111**	4,613
		2,608	8,262
	Gains:		
	Gain on disposal of property, plant and equipment	**18,457**	109
	Gain on disposal of subsidiaries	**61,620**	–
	Gain on disposal of financial assets at fair value through profit or loss	**296**	–
	Gain arising from changes in fair value less estimated point-of-sale cost of timer holdings	**16,000**	–
	Fair value gain on financial assets at fair value through profit or loss	**577**	–
		96,950	109
		99,558	8,371
	Total revenue	**791,333**	691,525

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

7. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts wholly repayable within five years	**1,056**	953
Imputed interests on promissory notes	**33,262**	–
	34,318	953

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Group	
	2009	2008
	HK$'000	*HK$'000*
Amortisation of land use rights	**620**	–
Auditors' remuneration	**1,000**	1,250
Cost of inventories sold	**262,188**	363,347
– including write-down of inventories to net realisable value	**–**	1,725
Depreciation of property, plant and equipment	**24,396**	31,208
Operating lease payments in respect of:		
– Land and buildings	**4,829**	4,968
– Office equipment	**17**	17
Staff costs (including directors' remuneration *(Note 9)*)		
– Wages and salaries	**87,970**	75,600
– Equity-settled share option expense	**–**	2,465
– Defined contribution scheme	**6,487**	5,572
	94,457	83,637
Included in other operating expenses:		
Impairment of goodwill	**18,065**	–
Provision for obsolete inventories	**16,175**	–
Research and development costs	**5,017**	3,333
Foreign exchange differences, net	**3,382**	11,104
Provision for impairment of trade receivables	**6,149**	4,439
Fair value loss on investment properties	**–**	720
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(577)**	2,596
Write-off items of property, plant and equipment	**–**	406
Gain on disposal of property, plant and equipment	**(18,457)**	(109)

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

9. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Fees:		
Executive directors	**670**	600
Independent non-executive directors	**310**	350
	980	950
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	**5,599**	5,600
Discretionary bonuses	**6,401**	869
Equity-settled share option expense	**–**	–
Contributions to pension schemes	**–**	–
Independent non-executive directors:		
Salaries, allowances and benefits in kind	**5**	8
	12,005	6,477
	12,980	7,427

During the year, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors have waived any emoluments during the year.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

9. DIRECTORS' REMUNERATION (continued)

(a) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2009					
Mr. Hsu Chen Shen	**100**	**1,700**	**1,893**	**–**	**3,693**
Mr. Hsu Shui Sheng	**100**	**1,200**	**1,754**	**–**	**3,054**
Mrs. Hsu Wei Jui Yun[1]	**100**	**400**	**650**	**–**	**1,150**
Mr. Pak Ping Chun	**100**	**900**	**733**	**–**	**1,733**
Mr. Yang Hsien Lin	**100**	**900**	**739**	**–**	**1,739**
Mr. Hsu Chiang Lung[2]	**100**	**499**	**632**	**–**	**1,231**
Mr. Lau Chi Yan, Pierre[3]	**70**	**–**	**–**	**–**	**70**
	670	**5,599**	**6,401**	**–**	**12,670**
2008					
Mr. Hsu Chen Shen	100	1,700	267	–	2,067
Mr. Hsu Shui Sheng	100	1,200	195	–	1,495
Mrs. Hsu Wei Jui Yun	100	400	28	–	528
Mr. Pak Ping Chun	100	900	98	–	1,098
Mr. Yang Hsien Lin	100	900	201	–	1,201
Mr. Hsu Chiang Lung	100	500	80	–	680
	600	5,600	869	–	7,069

1. Mrs. Hsu Wei Jui Yun was resigned as executive director on 13 January 2010.

2. Mr. Hsu Chiang Lung was resigned as executive director on 29 July 2009.

3. Mr. Lau Chi Yan, Pierre was appointed as executive director on 9 September 2009.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

9. DIRECTORS' REMUNERATION (continued)

(b) Independent non-executive directors

The emoluments paid to independent non-executive directors during the year were as follows:

	Fees	Salaries, allowances and benefits in kind	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2009			
Mr. Hsiao Horng Ching	**100**	**5**	**105**
Mr. Cheng Yung Hui	**120**	**–**	**120**
Mr. Lu Zi Chin[1]	**90**	**–**	**90**
	310	**5**	**315**
2008			
Mr. Leung Hok Lim[2]	100	–	100
Mr. Hsiao Horng Ching	100	8	108
Mr. Cheng Yung Hui	150	–	150
	350	8	358

1. Mr. Lu Zi Chin was appointed as independent non-executive director on 23 March 2009.

2. Mr. Leung Hok Lim was resigned as independent non-executive director on 31 December 2008.

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

10. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year were all (2008: all) directors of the Company, details of whose remuneration are set out in Note 9 above.

Out of the five highest paid employees, two employees (2008: nil) whose remuneration falls within HK$3,000,000 to HK$4,000,000, three employees (2008: four) whose remuneration falls within HK$1,000,000 to HK$2,000,000 and no director (2008: one) falls within Nil to HK$1,000,000.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group had tax losses brought forward which were available to set off against the assessable profit for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Current tax:		
PRC	**9,340**	7,600
Elsewhere	**(820)**	–
Deferred tax *(Note 33)*	**5,750**	(313)
	14,270	7,287

A reconciliation of the tax expense applicable to profit before income tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Profit before income tax	**89,002**	32,942
Tax at the statutory tax rates	**15,066**	8,777
Tax losses not recognised	**8,857**	2,269
Income not subject to tax	**(29,466)**	(6,822)
Expenses not deductible for tax	**19,988**	3,102
Tax losses utilised from previous period	**(175)**	(39)
Tax charge at the Group's effective rate	**14,270**	7,287

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%). The PRC enterprise income tax has been provided at the rate of 25%.

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2009 include a loss of approximately HK$7,329,000 (2008: loss of approximately HK$5,354,000) which has been dealt with in the financial statements of the Company (Note 38(b)).

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

13. DIVIDENDS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interim – HK$3 cents per ordinary share	–	15,435
Additional interim dividend paid in respect of new shares issued subsequent to the interim date and before the close of the Register of Members of the Company on 2 October 2008	–	154
	–	15,589

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2009 (2008: Nil).

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the net profit for the year of HK$74,732,000 (2008: HK$25,655,000) attributable to equity holders of the Company, and weighted average of 651,142,614 (2008: 516,727,529) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2009

Diluted earnings per share for the year ended 31 December 2009 has not been presented as the outstanding share options for the year has no dilutive effect on the basic earnings per share because the exercise price of the share options exceeds the average market price of the Company's ordinary share during the year.

For the year ended 31 December 2008

The calculation of diluted earnings per share for the year is based on the net profit for the year ended 31 December 2008 of HKHK25,655,000 attributable to equity holders of the Company and the weighted average of 516,934,677 ordinary shares outstanding during the year, after adjusting for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the 516,727,529 ordinary shares in issue during the year, plus the weighted average number of 207,148 ordinary shares deemed to be issued at no consideration as if the share options had been exercised.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings at fair value HK$'000	Leasehold improvements at cost HK$'000	Plant, machinery and moulds at cost HK$'000	Furniture, fixtures and equipment at cost HK$'000	Motor vehicles at cost HK$'000	Construction in progress at cost HK$'000	Total HK$'000
At cost or valuation:							
At 1 January 2008	260,000	26,739	104,709	24,035	12,689	39,587	467,759
Additions	–	172	4,390	344	1,826	17,393	24,125
Transfers	1,729	1,618	1,223	–	–	(4,570)	–
Reclassified as held for sale	–	–	–	–	–	(54,193)	(54,193)
Assets written-off	–	–	(391)	(10)	–	(5)	(406)
Disposals	–	–	–	(49)	(227)	–	(276)
Deficit on revaluation	(66,679)	–	–	–	–	–	(66,679)
Eliminated on revaluation	(13,317)	–	–	–	–	–	(13,317)
Exchange realignment	5,867	(41)	(262)	(832)	(464)	2,318	6,586
At 31 December 2008	187,600	28,488	109,669	23,488	13,824	530	363,599
Representing:							
At cost:	–	28,488	109,669	23,488	13,824	530	175,999
At valuation – 2008	187,600	–	–	–	–	–	187,600
	187,600	28,488	109,669	23,488	13,824	530	363,599
At 1 January 2009	**187,600**	**28,488**	**109,669**	**23,488**	**13,824**	**530**	**363,599**
Additions	**502**	**49**	**6,718**	**405**	**2,849**	**1,411**	**11,934**
Transfers	**428**	**–**	**203**	**–**	**–**	**(631)**	**–**
Disposals	**–**	**–**	**(1,836)**	**(967)**	**(170)**	**–**	**(2,973)**
Disposals of subsidiaries	**(61,430)**	**–**	**–**	**–**	**–**	**–**	**(61,430)**
Surplus on revaluation	**8,584**	**–**	**–**	**–**	**–**	**–**	**8,584**
Exchange realignment	**(13,554)**	**659**	**1,906**	**924**	**872**	**37**	**(9,156)**
At 31 December 2009	**122,130**	**29,196**	**116,660**	**23,850**	**17,375**	**1,347**	**310,558**
Representing:							
At cost:	**–**	**29,196**	**116,660**	**23,850**	**17,375**	**1,347**	**188,428**
At valuation – 2009	**122,130**	**–**	**–**	**–**	**–**	**–**	**122,130**
	122,130	**29,196**	**116,660**	**23,850**	**17,375**	**1,347**	**310,558**

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings at fair value HK$'000	Leasehold improvements at cost HK$'000	Plant, machinery and moulds at cost HK$'000	Furniture, fixtures and equipment at cost HK$'000	Motor vehicles at cost HK$'000	Construction in progress at cost HK$'000	Total HK$'000
Accumulated depreciation and impairment:							
At 1 January 2008	–	15,901	58,106	19,345	8,244	–	101,596
Charge for the year	13,317	3,058	11,322	2,486	1,025	–	31,208
Eliminated on revaluation	(13,317)	–	–	–	–	–	(13,317)
Exchange realignment	–	(36)	(244)	(934)	(479)	–	(1,693)
At 31 December 2008 and at 1 January 2009	–	18,923	69,184	20,897	8,790	–	117,794
Charge for the year	7,775	2,744	11,158	1,765	1,154	–	24,596
Eliminated on revaluation	(7,775)	–	–	–	–	–	(7,775)
Eliminated on disposal of subsidiaries	–	–	–	–	–	–	–
Eliminated on disposal	–	–	(620)	(831)	(162)	–	(1,613)
Exchange realignment	–	(32)	(636)	721	(659)	–	(606)
At 31 December 2009	–	21,635	79,086	22,552	9,123	–	132,396
Net carrying value:							
At 31 December 2009	122,130	7,561	37,574	1,298	8,252	1,347	178,162
At 31 December 2008	187,600	9,565	40,485	2,591	5,034	530	245,085

The Group's leasehold land and buildings included above are held under the following lease terms:

	Group					
	Hong Kong		PRC		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At valuation:						
Medium term leases	**2,600**	2,000	**119,530**	176,600	**122,130**	178,600
Long term lease	**–**	–	**–**	9,000	**–**	9,000
	2,600	2,000	**119,530**	185,600	**122,130**	187,600

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

As the prepaid land premium cannot be allocated reliably between the land and buildings elements, the entire land premium are included in the cost of land and buildings as finance leases in property, plant and equipment in accordance with HKAS 17.

The Group's leasehold land and buildings were revalued individually as at 31 December 2009 by Asset Appraisal Limited, an independent professional qualified valuer, at an aggregate open market value of HK$122,130,000 (2008: HK$187,600,000) based on their existing use. A revaluation surplus of HK$8,584,000 (2008: deficit of HK$51,689,000) resulting from the above valuations have been recognised in other comprehensive income and accumulated in the asset revaluation reserve.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$91,929,000 (2008: HK$149,054,000).

16. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
At fair value:		
At 1 January 2009/2008	**3,850**	4,570
Fair value loss on investment properties	**–**	(720)
At 31 December 2009/2008	**3,850**	3,850

The Group's investment properties are held under medium term leases and were revalued as at 31 December 2009 by Asset Appraisal Limited at HK$3,850,000 (2008: HK$3,850,000). Valuations were based on the investment method by taking into account the net rental incomes of the properties derived from the existing tenancies with due allowance for the reversionary value of the properties. No surplus or deficit (2008: a deficit of HK$720,000) has been credited or debited to the consolidated income statement. The investment properties are situated in the PRC and leased to third parties under operating leases, further details of which are included in Note 41 to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 114 of this annual report.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

17. LAND USE RIGHTS

Land use rights represent the Group's interest in the rights to use the forestry land in the PRC, which are held under medium term leases. The movements are as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At cost:		
At 1 January 2009/2008	**–**	–
Acquisition of subsidiaries	**31,189**	–
Amortisation	**(520)**	–
At 31 December 2009/2008	**30,669**	–

18. BIOLOGICAL ASSETS

	Group	
	2009	2008
	HK$'000	*HK$'000*
At fair value less estimated point-of-sales:		
At 1 January 2009/2008	**–**	–
Acquisition of subsidiaries	**315,000**	–
Gain arising from changes in fair value less estimated point-of-sale	**16,000**	–
At 31 December 2009/2008	**331,000**	–

The Group's biological assets represent the tree resources comprising pine, Chinese fir and other trees located in northern part of Guangdong Province (the "Tree Resources"). The Tree Resources were valued at 31 December 2009 by Castoress Magi Asia Limited, professional qualified valuers. The valuer applied an income capitalization approach based on projected wood flows of the Group's Tree Resources, the projected future cash flows, based on their assessments of current and projected timer log prices, and a discount rate of 12.76%.

The discount rate used in the valuation of the Tree Resources was determined by reference to published discount rates, cost of equity analysis, country risk, business risk, surveyed opinion of forest valuers practice and the implied discount rate of forest sales transactions in the PRC over a period of time, with more weight given to the weighted average cost of equity.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

19. GOODWILL

	Group 2009 HK$'000	2008 HK$'000
Cost:		
At 1 January 2009/2008	**35,309**	35,309
Additional amounts recognised from acquisition of subsidiaries	**5,317**	–
At 31 December 2009/2008	**40,626**	35,309
Accumulated impairment:		
At 1 January 2009/2008	**13,182**	13,182
Impairment loss recognised during the year	**18,065**	–
At 31 December 2009/2008	**31,247**	13,182
Net carrying amount:		
At 31 December 2009/2008	**9,379**	22,127

Impairment tests for cash-generating units containing goodwill

The carrying amount of goodwill has been allocated to the cash-generating units ("CGU") for impairment test according to business as follows:

	Group 2009 HK$'000	2008 HK$'000
Lighting business	**4,062**	22,127
Forestry business	**5,317**	–
	9,379	22,127

The recoverable amount of the above CGU of lighting business and forestry business has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The key assumptions include stable profit margins, which have been determined based on past experience in this market. The management believes that this is the best available input for forecasting this mature market. The discount rate applied to cash flow projection for lighting business and forestry business are 7% (2008: 6%) and 5% (2008: N/A) and cash flows beyond five-year period for light business and forestry business are extrapolated using a growth rate of 0% (2008: 0%) and 10% (2008: N/A) which is similar to the long term average growth rate of the lighting and forestry industries.

Impairment of goodwill amounted to HK$18,065,000 was recognised during the year (2008: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

20. INTERESTS IN SUBSIDIARIES

	Company 2009 HK$'000	2008 HK$'000
Unlisted shares, at cost	**43,715**	43,715
Fair value of financial guarantee granted to subsidiaries *(Note 40)*	**1,206**	2,460
Due from subsidiaries	**406,127**	279,855
	451,048	326,030
Impairment loss recognised during the year	**(663)**	–
	450,385	326,030

The balances with subsidiaries for the year ended 31 December 2009 are unsecured, interest-free and are not repayable within twelve months after the end of the reporting period.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Bright Group (BVI) Limited	BVI/Hong Kong	US$702 Ordinary	100	–	Investment holding
Full Scene Development Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (HK) Limited	Hong Kong	HK$1,000 Ordinary HK$100,000 Non-voting deferred	–	100	Investment and property holding
Whole Bright Industries Limited	BVI/PRC	US$1 Ordinary	–	100	Trading of lighting products
Dongguan Bright Yin Huey Lighting Co., Limited#	PRC	HK$15,240,000	–	100	Design, manufacture and sale of lighting products
Willing Garden Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of lighting products
Everprofit Enterprise Co. Limited	BVI/Hong Kong	HK$11,610,000 Ordinary	–	100	Investment holding
東莞嘉盛照明科技有限公司#	PRC	HK$71,000,000	–	100	Design, manufacture and sale of lighting products
Ticko Inc.	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

20. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
Newgreat Asia Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Oriental Bright Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Perfect Rich Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
上海瑩輝照明工程有限公司#	PRC	US$2,000,000	–	100	Trading of lighting products
永瑩輝貿易(上海)有限公司#	PRC	US$2,500,000	–	100	Trading of lighting products
Bright Lighting Inc.	United States of America	US$722 Ordinary	–	100	Design and sale of lighting products
Bright and Best Co., Limited	BVI/PRC	US$1 Ordinary	–	100	Trading of lighting products
Bright China Investments Holdings Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
Profitmark Investments Holdings Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
R.A.M. Lighting Holdings Limited	Canada	C$1,560,100 Common	–	100	Investment holding
R.A.M. Lighting Limited	Canada	C$3 Common C$3,000,000 Preference	–	100	Design and distribution of lighting products
Asiacorp Universal Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
清遠市木本林業有限公司#	PRC	HK$1,000,000	–	100	Tree plantation, research and development on plantation related technologies, and sale and distribution of plantation products

Registered as a wholly-owned foreign investment enterprise in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

21. INVENTORIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Raw materials	**84,501**	64,793
Work in progress	**2,077**	781
Finished goods	**31,934**	63,223
	118,512	128,797

Provision of absolute inventories amounted to approximately HK$16,175,000 has been recognised as an expense (2008:nil).

22. TRADE AND BILLS RECEIVABLES

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on invoice date and net of provisions, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**110,357**	42,274
31 – 90 days	**21,379**	65,316
91 – 180 days	**2,084**	5,234
181 – 360 days	**1,039**	2,132
Over 360 days	**533**	2,044
	135,392	117,000

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30 to 90 days of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1 January 2009/2008	**15,841**	11,560
Amount written off during the year	**–**	(158)
Impairment loss recognised	**6,149**	4,439
At 31 December 2009/2008	**21,990**	15,841

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

22. TRADE AND BILLS RECEIVABLES (continued)

At the end of each reporting period, the Group's provision for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

The Group allows a credit period from 30 to 90 days (2008: 30 to 90 days) to its customers.

The carrying value of trade and bills receivables is considered as reasonable approximation of fair value. Impairment of trade and bills receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade and bills receivables is impaired. All of the Group's trade and bills receivables have been reviewed for indicators of impairment. As at 31 December 2009, the Group has determined no trade receivables (2008: HK$158,000) as individually written off and certain trade and bills receivables were found to be impaired and bad debts of HK$6,149,000 (2008: HK$4,439,000) has been recognised accordingly. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

In addition, some of the unimpaired trade and bills receivables are past due as at the end of the reporting period. Ageing analysis of trade and bills receivables past due but not impaired is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**131,736**	107,590
1 – 90 days	**2,084**	5,234
91 – 270 days	**1,039**	2,132
Over 270 days	**533**	2,044
Total trade and bills receivables, net	**135,392**	117,000

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Group's management considers that trade receivables that are past due but not impaired as at the balance sheet date are of good credit quality. The Group does not hold any collateral over these balances.

Included in trade and bills receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2009	2008
	HK$'000	*HK$'000*
US dollars	**133,846**	103,653

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Listed equity investment, at market value:		
Hong Kong	**2,796**	2,635
Elsewhere	**142**	1,202
	2,937	3,837

The above equity investments at 31 December 2009 and 2008 were classified as held for trading. The fair value of the Group's investments has been determined by reference to their quoted closing prices at the end of the reporting period.

24. HELD-TO-MATURITY INVESTMENTS

Group

As at 31 December 2009, the Group does not have any held-to-maturity investments. As at 31 December 2008, held-to-maturity investments represent principal guaranteed short-term investments with banks in the PRC. These investments have interest rates ranging from 4% to 6.8% per annum and will mature within one year.

25. INVESTMENT DEPOSITS

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Deposits for acquisition of subsidiaries	**30,000**	–

On 16 September 2009, Best Commerce Limited, a wholly owned subsidiary of the Company entered into an acquisition agreement with Silver Mark Enterprises Limited to acquire the entire equity interests in Goldpic Investments Limited at an aggregate consideration of approximately HK$6,350 million. The Group has paid a security deposit of HK$30,000,000 to proceed with the acquisition. The acquisition has not yet completed as at the date of this report.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

26. PREPAYMENT DEPOSITS AND OTHER RECEIVABLES

Group

The amount of the Group's prepayments, deposits and other receivables are expected to be recovered or recognised as expense after more than one year is HK$770,000 (2008: HK$207,000). All of the other prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

Company

All of the Company's prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.

27. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**168,768**	82,043	**1,138**	1,436
Time deposits	**3,542**	3,057	**–**	–
	172,310	85,100	**1,138**	1,436

At the end of the reporting date, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$63,820,000 (2008: HK$35,537,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. PROPERTY CLASSIFIED AS HELD FOR SALE

As at 31 December 2009, the Group does not have any asset classified as held for sale.

As at 31 December 2008, property classified as held for sale represents leasehold land and construction works located in the PRC and were held under medium term leases.

On 9 September 2008, 上海瑩輝照明科技有限公司, a wholly-owned subsidiary of the Company, entered into an asset purchase agreement with an independent third party to dispose its entire interest in the leasehold land and construction works at a consideration of approximately of HK$94,000,000 (RMB83,000,000). As at 31 December 2008, the carrying amount of this asset amounted to approximately HK$54,193,000. Accordingly, this asset is classified as "property held for sale". The transaction is subsequently completed in early April 2009.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

29. BANK BORROWINGS

		Group	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Current			
Bank overdrafts – secured	*(a)*	**–**	487
Bank loans – secured	*(b)*	**–**	22,500
Discounted bills with recourse – secured	*(c)*	**47,901**	30,524
		47,901	53,511

Notes:

(a) The Group's bank overdrafts were supported by the corporate guarantees provided by the Company and repayable within one year and bear effective interest at 6.13% per annum.

(b) As at 31 December 2008, the Group's interest-bearing bank loans were supported by the corporate guarantees provided by the Company and repayable within one year and bear fixed interest ranging from 2.2% to 3.7% per annum.

(c) Balance represented proceeds from banks on discounted bills at 31 December 2009 which were secured by the related bills receivable and bear interests ranging from 3% to 6% (2008: 2.28% to 5%) per annum. All bank loans were repayable within one year and were supported by the corporate guarantees provided by the Company.

The Group's bank borrowings are denominated in the following currencies:

	Group	
	2009	2008
	HK$'000	*HK$'000*
HK dollars	**–**	22,500
US dollars	**47,901**	31,011
	47,901	53,511

The carrying amounts of the Group's bank borrowings approximate to their fair value at the balance sheet date.

The Group's bank borrowing facilities amounting to HK$97 million (2008: HK$163 million), of which approximately of HK$48 million (2008: HK$54 million) has been utilised as at the end of the reporting period, are supported by the corporate guarantees provided by the Company.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

30. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period, based on invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
0 – 90 days	**100,471**	83,657
91 – 180 days	**492**	1,910
181 – 360 days	**2,121**	1,760
Over 360 days	**6,886**	8,420
	109,970	95,747

The trade payables are non-interest bearing and are normally settled on 60 days terms.

31. OTHER PAYABLES AND ACCRUALS

All of the Group's and the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

32. AMOUNT DUE TO A RELATED COMPANY

	Group		
	Maximum debit balance	**2009**	2008
	HK$'000	***HK$'000***	*HK$'000*
瑩輝興業股份有限公司	468	**430**	468

The amount due to a related company is unsecured, non-interest bearing and is repayable on demand. The amount represents reimbursement payable to the related company, 瑩輝興業股份有限公司, for expenses and purchases paid on behalf of the Group. The carrying amount approximates to the fair value at the end of the reporting period. The related company is a company which is beneficially owned by certain directors of the Company.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

33. DEFERRED TAX LIABILITIES

	Group					
	Convertible Notes	Revaluation of investment properties	Revaluation of leasehold land and buildings	Revaluation of biological assets	Revaluation of land use rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	–	801	26,066	–	–	26,867
Deferred tax credited to profit or loss *(Note 11)*	–	(313)	–	–	–	(313)
Deferred tax credited to other comprehensive income *(Note 15)*	–	–	(14,990)	–	–	(14,990)
At 31 December 2008 and at 1 January 2009	–	488	11,076	–	–	11,564
Acquisition of subsidiaries	–	–	–	77,000	245	77,245
Deferred tax charged to profit or loss *(Note 11)*	–	–	–	5,750	–	5,750
Deferred tax charged to other comprehensive income	–	–	2,087	–	–	2,087
Initial recognition of equity component of convertible notes	2,227	–	–	–	–	2,227
Conversion of convertible notes	(2,227)	–	–	–	–	(2,227)
At 31 December 2009	**–**	**488**	**13,163**	**82,750**	**245**	**96,646**

The Group has not recognised deferred tax assets in respect of cumulative tax losses in certain subsidiaries of HK$45,285,000 as at 31 December 2009 (2008: HK$38,302,000), as it is not probable that future profits against which the losses can be utilised will be available in the relevant subsidiaries.

At the end of the reporting period, deferred tax liabilities amounted to HK$825,000 (2008: HK$871,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

34. PROMISSORY NOTES

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Fair value at the date of issue:	**168,120**	–
Imputed interest recognised during the year	**31,880**	–
	200,000	–
Settlement during the year	**(200,000)**	–
	–	–

On 29 April 2009, the Company issued a promissory notes with an aggregate principal amount of HK$200,000,000 with a maturity period of 2 years ("Promissory Notes"). The net proceeds notes were used for the acquisition of the entire equity interests in Asiacorp Universal Limited (Note 44). Details of the acquisition as set out in the Company's circular dated 9 April 2009. The Promissory Notes do not carries any fixed annual interest rate. The principal is fully repayable during the year ended 31 December 2009.

35. CONVERTIBLE NOTES

Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting held on 29 April 2009, the Company issued a convertible notes in the principal amount of HK$100,000,000 with a conversion price of HK$0.25 each as part of the consideration for the acquisition of the entire equity interests in Asiacorp Universal Limited (Note 44). Details of the acquisition as set out in the Company's circular dated 9 April 2009.

The convertible notes contain two components, liability and equity elements representing the residual attributable to the option to convert the financial liability into equity of the Company. The equity element is presented in equity under convertible notes reserves. The effective interest rate of the liability component of the convertible notes was 6.32%. The convertible notes had been fully converted into Company's share during the year ended 31 December 2009.

	Group and Company	
	2009	2008
	HK$'000	*HK$'000*
Proceed of issue:	**100,000**	–
Equity component	**(13,495)**	–
Liability component at date of issue	**86,505**	–
Conversion of convertible bonds *(Note 1)*	**(86,505)**	–
Liability component at 31 December 2009/2008	**–**	–

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

35. CONVERTIBLE NOTES (continued)

Notes:

(1) The full conversion of an aggregate principal amounts of HK$100,000,000 of the convertible notes were made during the year ended 31 December 2009 resulted in aggregate of 400,000,000 shares being issued by the Company.

(2) The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond. The value of the equity conversion component, calculated with reference to valuation carried out by Asset Appraisal Limited, was included in shareholders' equity in convertible notes reserve. The fair value of the liability component and the equity conversion component were determined at issuance of the convertible notes.

36. SHARE CAPITAL

		Company	
	Notes	Number of shares '000	Nominal values HK$'000
Authorised:			
Ordinary shares of HK$0.1 each			
At 1 January 2008, 31 December 2008 and at 1 January 2009		1,000,000	100,000
Increase during the year	*(a)*	1,000,000	100,000
At 31 December 2009		2,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK$0.1 each			
At 1 January 2008		514,500	51,450
Repurchase and cancellation of shares	*(b)*	(648)	(65)
Exercise of share options	*(c)*	5,144	514
At 31 December 2008 and at 1 January 2009		518,996	51,899
Repurchase and cancellation of shares	*(d)*	(6,082)	(608)
Issuance of shares pursuant to conversion of convertible notes	*(e)*	400,000	40,000
Placing of shares	*(f)*	100,000	10,000
Exercise of share options	*(g)*	30,864	3,087
At 31 December 2009		1,043,778	104,378

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

36. SHARE CAPITAL (continued)

The movements in the Company's share capital are as follows:

(a) Pursuant to a special resolution passed by the shareholders of the Company at the annual general meeting held on 5 June 2009, the authorised share capital of the Company increased from HK$100,000,000 to HK$200,000,000 by the creation of an additional 1,000,000,000 unissued ordinary shares of HK$0.1 each, such new shares ranking pari passu in all respects with the existing shares of the Company.

(b) During the year ended 31 December 2008, the Company repurchased a total numbers of 3,178,000 of its listed shares on the Stock Exchange, of which 648,000 has been cancelled as at 31 December 2008, for the purpose of enhancing the net asset value per share of the Company. Details of the repurchases are summarised as follows:

Month/Year	Number of ordinary shares repurchased during the year	Number of ordinary shares cancelled during the year	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase consideration
			HK$	*HK$*	*HK$*
October 2008[1]	426,000	426,000	0.405	0.375	168,350
November 2008[1]	222,000	222,000	0.405	0.395	88,840
December 2008[2]	2,530,000	–	0.350	0.310	857,190
Total	3,178,000	648,000			1,114,380

1 The cancellation of the shares has subsequently been completed in November 2008.

2 As at 31 December 2008, the Company has not completed the cancellation of those repurchased shares. The cancellation of those shares has subsequently been completed in January 2009.

(c) On 18 July 2008, 5,144,000 ordinary shares of HK$0.1 were issued in respect of the exercise of share options by employees under the share option scheme at an exercise price of HK$0.472 per share.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

36. SHARE CAPITAL (continued)

(d) During the year ended 31 December 2009, the Company repurchased a total of 3,552,000 (2008: 3,178,000) of its listed shares on the Stock Exchange for the purpose of enhancing the net asset value of the Company. Details of the repurchases are summarised as follows:

Month/Year	Number of ordinary shares repurchased during the year	Number of ordinary shares cancelled during the year	Purchase price per share Highest	Lowest	Aggregate purchase consideration
			HK$	*HK$*	*HK$*
December 2008[1]	–	2,530,000	–	–	–
January 2009[2]	3,552,000	3,552,000	0.350	0.325	1,232,330
Total	3,552,000	6,082,000			1,232,330

[1] The shares were repurchased during the year ended 31 December 2008 and the cancellation of shares has been completed in January 2009.

[2] The cancellation of shares has subsequently been completed in January 2009.

(e) Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting held on 29 April 2009, the Company issued a convertible notes in the principal amount of HK$100,000,000 with a conversion price of HK$0.25 each to Knight Asia Investments Limited as part of the consideration for the acquisition of the entire equity interests in Asiacorp Universal Limited. Details of the acquisition as set out in the Company's circular dated 9 April 2009.

The full conversion of an aggregate principal amount of HK$100,000,000 of the convertible notes were made during the year ended 31 December 2009 resulted in aggregate of 400,000,000 shares being issued by the Company during the year ended 31 December 2009. Details of the conversion of convertible notes are summarised as follows:

Date of conversion of convertible notes	Number of ordinary shares issued	Conversion price	Aggregate consideration
		HK$	*HK$*
1 June 2009	96,000,000	0.25	24,000,000
29 June 2009	128,000,000	0.25	32,000,000
28 July 2009	24,000,000	0.25	6,000,000
28 December 2009	152,000,000	0.25	38,000,000
	400,000,000		100,000,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

36. SHARE CAPITAL (continued)

(f) On 15 October 2009, the Company entered into a placing agreement with Polaris Securities (Hong Kong) Limited, as the placing agent, pursuant to which the Company proposed to raise approximately HK$62,000,000 after deduction of expenses by way of placing 100,000,000 ordinary shares at a price of HK$0.63 per share through placement to independent third parties. The placing of shares has been completed on 29 October 2009.

(g) During the year ended 31 December 2009, an aggregate of 30,864,000 ordinary shares of HK$0.1 were issued in respect the exercise of share options by employees under the share option scheme. Details of the exercise of share options are summarised as follows:

Date of exercise of share options	**Number of ordinary shares issued**	**Exercise price**	**Aggregate consideration received**
		HK$	*HK$*
9 November 2009	5,144,000	0.54	2,777,760
9 November 2009	15,432,000	0.472	7,283,904
17 December 2009	10,288,000	0.54	5,552,520
	30,864,000		15,614,184

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 25 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date on which the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the shares to be issued pursuant to the exercise of options under the Scheme.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

37. SHARE OPTION SCHEME (continued)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not exceed 30% of the total number of shares in issue from time to time. The maximum entitlement of each eligible participant (including both exercised and outstanding options) under the Scheme is 1% of the shares of the Company in issue within any 12-month period. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Scheme. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of offering any particular option.

The exercise price of the share options is determined by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

All shares option expense will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

37. SHARE OPTION SCHEME (continued)

The particulars in relation to the Scheme are disclosed as follows:

2009

				Number of share options			
Option holder	Date of grant	Exercise price	Exercisable period	Outstanding as 1 January 2009	Granted during the year	Exercised during the year	Outstanding at 31 December 2009
Directors:							
Pak Ping Chun	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	(5,144,000)	–
Yang Hsien Lin	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	(5,144,000)	–
				10,288,000	–	(10,288,000)	–
Employees:							
Chung Shao Hung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Chang Ming Chi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	–	5,144,000
Chiang Yu Lung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	–	5,144,000
Hsieh Yen Chu	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Lo Chi Yi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	5,144,000	–	(5,144,000)	–
Nugraha Soemampauw	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	(5,144,000)	–
				30,864,000	–	(20,576,000)	10,288,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

37. SHARE OPTION SCHEME (continued)

2008

Option holder	Date of grant	Exercise price	Exercisable period	Number of share options: Outstanding as 1 January 2008	Granted during the year	Exercised during the year	Outstanding at 31 December 2008
Directors:							
Pak Ping Chun	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	–	5,144,000
Yang Hsien Lin	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	–	5,144,000
				10,288,000	–	–	10,288,000
Employees:							
Chung Shao Hung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	–	5,144,000
Leung Wing Shing	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	(5,144,000)	–
Chang Ming Chi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	–	5,144,000
Chiang Yu Lung	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	–	5,144,000
Hsieh Yen Chu	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	–	5,144,000
Lo Chi Yi	29 May 2008	HK$0.472	29 May 2008 to 28 May 2010	–	5,144,000	–	5,144,000
Nugraha Soemampauw	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	5,144,000	–	–	5,144,000
				5,144,000	30,864,000	(5,144,000)	30,864,000

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

37. SHARE OPTION SCHEME (continued)

Share options and weight average exercise price are as follows for the reporting periods presented:

	2009		2008	
	Number of shares	**Weighted average exercise price** *HK$*	Number of shares	Weighted average exercise price *HK$*
Outstanding share options at 1 January 2009/2008	**41,152,000**	**0.498**	15,432,000	0.540
Granted during the year	**–**	**–**	30,864,000	0.472
Exercised during the year	**(30,864,000)**	**0.506**	(5,144,000)	0.472
Outstanding share options at 31 December 2009/2008	**10,288,000**	**0.472**	41,152,000	0.498

There were 10,288,000 (2008: 41,152,000) share options exercisable as at 31 December 2009. On 14 January 2010, the remaining share options of 10,288,000 were fully exercised.

There was no share option being granted during the year ended 31 December 2009. The fair value of the share options granted during the year ended 31 December 2008 was calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

	2009	2008
Share price per share at grant date	**–**	HK$0.47
Exercise price	**–**	HK$0.472
Expected volatility	**–**	40.75%
Expected life	**–**	2 years
Risk free rate	**–**	1.08%
Expected dividend yield	**–**	3.62%
Fair value per option	**–**	HK$0.079

Expected volatility was determined by using the historical volatility of the Company's share price over past year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations including early exercise. Risk free rate was reference to the approximate yield to maturity of Hong Kong Exchange Fund Note.

During the year ended 31 December 2009, 30,864,000 (2008: 5,144,000) options were exercised, the weighted average exercise price of these shares was HK$0.506 (2008: HK$0.472). The weighted average share price of these shares at the date of exercise was HK$0.75 (2008: HK$0.56). All share options have been accounted for under HKFRS 2. The options outstanding at 31 December 2009 had weighted average exercise prices of HK$0.472 (2008: HK$0.498) and a weighted average remaining contractual life of 0.5 year (2008: 1.4 years).

There was no expense being recognised as no option granted during the year ended 31 December 2009. The Group recognised the total expenses of approximately HK$2,465,000 for the year ended 31 December 2008 in relation to the share options granted by the Company, of which all expenses are related to options granted to the Group's employees and shown as staff costs. As there was no option granted to directors, no option expense for directors was recognised during the year (2008: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

38. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 38 of the consolidated financial statements.

(b) Company

	Share premium account	Contributed surplus	Convertible notes reserve	Share repurchase reserve	Share based payment reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2008	66,852	43,515	–	–	1,111	177,849	289,327
Net loss for the year	–	–	–	–	–	(5,354)	(5,354)
Interim 2008 dividend	–	–	–	–	–	(15,589)	(15,589)
Exercise of share options	2,324	–	–	–	(411)	–	1,913
Repurchase of shares							
– Repurchase and cancellation of own shares *(Note 36(b))*	(192)	–	–	–	–	–	(192)
– Repurchase of shares and pending for cancellation	–	–	–	(857)	–	–	(857)
Recognition of equity-settled share based payments *(Note 37)*	–	–	–	–	2,465	–	2,465
At 31 December 2008 and at 1 January 2009	68,984	43,515	–	(857)	3,165	156,906	271,713
Net loss for the year	–	–	–	–	–	(7,329)	(7,329)
Exercise of share options	14,872	–	–	–	(2,344)	–	12,528
Repurchase of shares							
– Cancellation of own shares for repurchase in priors year	(605)	–	–	857	–	–	252
– Repurchase and cancellation of own shares *(Note 36(d))*	(877)	–	–	–	–	–	(877)
Issuance of convertible notes	–	–	13,495	–	–	–	13,495
Deferred tax relating to transactions with owners	–	–	(2,227)	–	–	–	(2,227)
Conversion of convertible notes	60,000	–	(11,268)	–	–	–	48,732
Placing of shares	53,000	–	–	–	–	–	53,000
Share issuance expenses	(855)	–	–	–	–	–	(855)
	194,519	43,515	–	–	821	149,577	388,432

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

38. RESERVES (continued)

(c) Nature and purpose of reserves

Contributed surplus

The contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1999, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

Share based payment reserve

The share based payment reserve represent the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payment in Note 3.22.

Convertible notes reserve

The convertible notes reserve represent the amount allocated to the equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes in Note 3.14.

Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Asset revaluation reserve

The asset revaluation reserve represent the increases in the change in fair value of leasehold land and buildings and investment properties in accordance with the accounting policies adopted for leasehold land and buildings and investment properties in Note 3.5 and 3.7 respectively.

Share repurchase reserve

The share repurchase reserve is used to record the shares being repurchased by the Company but not yet cancelled at the end of the reporting period. The amounts will be reversed upon the repurchased shares being cancelled.

39. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no significant liabilities (2008: Nil).

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

40. FINANCIAL GUARANTEE CONTRACTS

Company

The Company provided corporate guarantees to certain banks for bank borrowings granted to certain of its subsidiaries.

The fair value of the financial guarantee contracts, valued by Asset Appraisal, recognised in the Company's balance sheet was HK$1,206,000 during the year ended 31 December 2009 (2008: HK$2,460,000).

41. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had the following outstanding commitments:

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of one year and renewable yearly. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**765**	745

As lessee

The Group leases certain of its office equipment, office premises, staff quarters and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group					
	2009			2008		
	Office equipment	**Office premises, staff quarters and warehouses**	**Total**	Office equipment	Office premises, staff quarters quarters and warehouses	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	**51**	**1,466**	**1,517**	71	3,715	3,786
In the second to fifth years, inclusive	**–**	**–**	**–**	51	1,448	1,499
	51	**1,466**	**1,517**	122	5,163	5,285

The Company did not have any lease arrangements at 31 December 2009 and 2008.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

42. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) Purchase of services from a related party

The Group paid hotel room charges and food and beverage charges to a related company for an aggregate amount of approximately HK$430,000 (2008: HK$450,000) for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the PRC.

In the opinion of the directors, the transactions were made in the normal course of business and according to the prices and terms similar to those charged to and contracted with other major customers of the supplier.

The related party is a company which is beneficially owned by certain directors of the Company.

(b) Compensation of key management personnel of the Group

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Short term employee benefits	**12,980**	7,427
Share-based payment	**–**	–
	12,980	7,427

Share options were held by senior management under the share options scheme to purchase ordinary shares have been disclosed in Note 37 to the consolidated financial statements.

43. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2009, the Group does not have any outstanding foreign currency forward contracts. As at 31 December 2008, the Group has certain outstanding foreign currency forward contracts in the total amount of approximately HK$245 million. These contracts have maturity dates varying from 20 January 2009 to 22 July 2009.

The fair value of the foreign forward exchange contracts as at 31 December 2008 are not material to these consolidated financial statements. The fair value gains and losses of the derivatives are not material to these consolidated financial statements because of the immaterial fluctuation of the contracted forward exchange rates.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

44. ACQUISITION OF SUBSIDIARIES

On 11 February 2009, Bight Group (BVI) Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement with Knight Asia Investments Limited for the acquisition of 100% of the entire issued share capital of Asiacorp Universal Limited ("Asiacorp") and its subsidiary for an aggregate consideration of HK$300,000,000 which were payable by (i) the issue of promissory note within principal amount of HK$200,000,000; and (ii) issue of convertible notes with principal amount of HK$100,000,000. Details of the acquisition were set out in the Company's circular dated 9 April 2009.

The principal activity of Asiacorp was investment holding, the principal activities of its subsidiary were engaged in tree plantation, research and development on plantation related technologies, and sale and distribution of plantation products. The acquisition was completed in May 2009.

The fair value of net assets acquired in the transactions and goodwill arising is as follows:

	HK$'000
Fair value of net assets acquired:	
Prepaid lease payments	31,189
Biological assets	315,000
Cash and bank balances	1
Other payables	(6,067)
Deferred tax liabilities	(77,245)
Exchange reserves	(75)
	262,803
Total cost of acquisition:	
Fair value of the consideration for the acquisition:	
– Issue of promissory notes *(Note 34)*	168,120
– Issue of convertible notes *(Note 35)*	100,000
	268,120
Goodwill	5,317

Acquisition-related costs amounting to HK$1,381,000 have been excluded from the consideration and have been recognised as an expense during the year.

Net cash outflow on acquisition:

	HK$'000
Consideration paid in cash	–
Less: Cash and cash equivalent balances acquired	(1)
	(1)

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

45. DISPOSAL OF SUBSIDIARIES

During the year, the Bright Group (BVI) Limited, a wholly owned subsidiary of the Company entered into a disposal agreement with New Wealth Far East Limited for the disposal of the entire equity interests in Sinograce Holdings Limited and its subsidiary at a cash consideration of HK$93,000,000. The transaction was completed in December 2009.

The net assets disposed of in the transaction and gain on disposal arising is as follows:

	HK$'000
Fair value of net liabilities disposed of:	
Property, plant and equipment	61,430
Prepayments, deposits and other receivables	10,180
Cash and bank balances	461
Other payables and accruals	(11,043)
Amount due to a related company	(38)
Amount due to intermediate holding company	(39,012)
Exchange reserves	(18,229)
Property revaluation reserves	(11,381)
Net liabilities	(7,632)
Consideration:	
Cash consideration received	93,000
Less: Sales loan	(39,012)
	53,988
Gain on disposal of subsidiaries	61,620

Net cash inflow on disposal:

	HK$'000
Consideration received in cash	93,000
Less: Cash and cash equivalent balances disposed of	(461)
	92,539

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes.

The Group's principal financial instruments mainly comprise of cash and cash equivalents, trade and bills receivables, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, investment deposits, amount due to a related company, trade payables, other payables and accruals and bank borrowings. The most significant financial risks to which the Group is exposed and the financial risk management policies and practices used to manage these risks are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for certain discounted bills with recourse and bank overdrafts. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profits after tax and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States dollar ("US$") and Renminbi ("RMB"). The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

Foreign currency risk exposure

The following table details the Group's exposure at the end of the reporting period to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the operating entities relate:

	Group	
	2009	2008
	USD'000	*USD'000*
Trade and bills receivables	**17,160**	13,323
Trade payables	**(243)**	(478)
Bank borrowings	**–**	(3,986)

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The Group is mainly exposed to the fluctuation in US$ against RMB.

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to the reasonable possible strengthening/weakening in US$ against RMB. There is no impact on other components of consolidated equity. Differences resulting from the translation of the financial statements of foreign operations into the group's presentation currency are excluded.

	2009		2008	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
	%	***HK$'000***	%	*HK$'000*
US$	**6.82%**	**5,097**	6.58%	4,847
	(6.82%)	**(5,097)**	(6.58%)	(4,847)

The sensitivity rate of 6.82% (2008: 6.58%) is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6.82% (2008: 6.58%) change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is in RMB. A strengthening/ weakening of the above foreign currencies against RMB at each balance sheet date would have had a profit/ loss effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Credit risk

The Group's exposure to credit risk is mainly limited to the carrying amount of financial assets recognised at the end of the reporting date, as summarised below:

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Classes of financial assets:				
Trade and bills receivables	**135,392**	117,000	**–**	–
Financial assets at fair value through profit or loss	**2,937**	3,837	**–**	–
Held-to-maturity investments	**–**	33,529	**–**	–
Investment deposits	**30,000**	–	**30,000**	–
Prepayments, deposits and other receivables	**51,491**	29,009	**14,328**	229
Cash and cash equivalents	**172,310**	85,100	**1,138**	1,436
	392,130	268,475	**45,466**	1,665

The Company is exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note 40 to the consolidated financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness. The Group has certain concentrations of credit risk as 77% (2008: 69%) of the Group's trade receivables were due from the Group's two largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 22 to the consolidated financial statements.

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise additional funding from the realisation of its assets if required.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Liquidity risk (continued)

As 31 December 2009 and 31 December 2008, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

	Group					
	On demand	Less than 3 months	3 to less than 6 months	6 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009						
Trade payables	**–**	**100,471**	**492**	**2,121**	**6,886**	**109,970**
Other payables	**–**	**54,649**	**–**	**–**	**–**	**54,649**
Bank borrowings	**–**	**47,901**	**–**	**–**	**–**	**47,901**
Due to related company	**430**	**–**	**–**	**–**	**–**	**430**
	430	**203,021**	**492**	**2,121**	**6,886**	**212,950**
At 31 December 2008						
Trade payables	–	93,327	2,420	–	–	95,747
Other payables	–	12,344	–	–	–	12,344
Bank borrowings	487	53,024	–	–	–	53,511
Due to related company	468	–	–	–	–	468
	955	158,695	2,420	–	–	162,070

	Company					
	On demand	Less than 3 months	3 to less than 6 months	6 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009						
Financial guarantee contracts	**–**	**1,206**	**–**	**–**	**–**	**1,206**
Other payables	**–**	**1,834**	**–**	**–**	**–**	**1,834**
	–	**3,040**	**–**	**–**	**–**	**3,040**
At 31 December 2008						
Financial guarantee contracts	–	–	–	–	2,460	2,460
Other payables	–	373	–	–	–	373
	–	373	–	–	2,460	2,833

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See Notes 3.11 and 3.14 for explanations on how the category of financial instruments affects their subsequent measurement.

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Financial assets

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets at fair value through profit or loss	**2,937**	3,837	**–**	–
Held-to-maturity investments	**–**	33,529	**–**	–
Cash and cash equivalents	**172,310**	85,100	**1,138**	1,436
Trade and bills receivables	**135,392**	117,000	**–**	–
Investment deposits	**30,000**	–	**30,000**	–
Prepayments, deposits and other receivables	**51,491**	29,009	**14,328**	229
	392,130	268,475	**45,466**	1,665

Financial liabilities

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised cost				
Trade payables	**109,970**	95,747	**–**	–
Other payables and accruals	**54,649**	42,137	**1,834**	373
Due to a related company	**430**	468	**–**	–
Bank borrowings	**47,901**	53,511	**–**	–
Financial guarantee contracts	**–**	–	**1,206**	2,460
	212,950	191,863	**3,040**	2,833

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

46. RISK MANAGEMENT OBJECTIVES AND POLICES (continued)

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period 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.

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through profit or loss	2,937	–	–	2,937

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

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

47. CAPITAL MANAGEMENT

Capital includes equity attributable to the equity holders of the Company. The primary objectives of the Group's capital management are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2009 and 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. During 2009, the Group's strategy, which was unchanged from 2008, was to keep a low level of gearing ratio. The Group's total capital comprises all components of equity and net debt includes bank borrowing, trade payables and other payables and accruals, less cash and cash equivalents.

The Group's gearing ratio at 31 December 2009 and 2008 was as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Bank borrowings	**47,901**	53,511
Trade payables	**109,970**	95,747
Other payables and accruals	**54,649**	42,137
Less: Cash and cash equivalents	**(172,310)**	(85,100)
Net debts	**40,210**	106,295
Equity	**710,236**	483,298
Capital and net debt	**750,446**	589,593
Gearing ratio	**5%**	18%

Notes to Consolidated Financial Statements

For the year ended 31 December 2009

48. EVENTS AFTER THE REPORTING PERIOD

Except as those disclosed elsewhere in the financial statements, the Group has the following significant events which took place subsequent to the end of the reporting period:

On 16 September 2009, Best Commerce Limited, a wholly owned subsidiary of the Company entered into:

(a) an acquisition agreement with Silver Mark Enterprises in connection to a very substantial acquisition of the entire equity interests in Goldpic Investments Limited at an aggregate consideration of approximately HK$6,350 million which shall be satisfied at completion as to (i) HK$30 million cash deposits; (ii) HK$5,920 million by procuring the Company to issue convertible notes; and (iii) HK$400 million by procuring the Company to issue a promissory note. This acquisition has not been completed as at the date of approving this financial statements.

(b) an acquisition agreement with Wingem Investments Limited in connection to a very substantial acquisition of the entire equity interests in Mark Unison Limited at an aggregate consideration of approximately HK$1,060 million which shall be satisfied at completion as to (i) HK$30 million cash deposits; and (ii) HK$1,030 million by procuring the Company to issue a convertible notes.

The above transactions have not been completed as at the date of approving these financial statements. Details of this transactions are disclosed in the Company's announcements dated 27 September 2009.

49. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of financial statements, and HKFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 March 2010.

Summary of Investment Properties

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

	Location	Use	Group's interest	Tenure of lease
1.	Portion of Level 1 of Dormitory Building, Bright Yin Huey Factory Complex, (Factory No. 1) Chuangxin Road, Dapandi Industrial Zone, Daning Management District, Humen Town, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease
2.	Level 1 of Dormitory A, Bright Yin Huen Factory Complex, (Factory No. 2) Pujiang Road, Dapandi Industrial Zone, Daning Management District, Humen Town, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease
3.	Level 1 of Domitory B, Phase 3, Bright Yin Huey Factory Complex, (Factory No. 2) Pujiang Road Dapandi Industrial Zone, Daning Management District, Humen Towm, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease