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ARNHOLD HOLDINGS LIMITED
安利控股有限公司

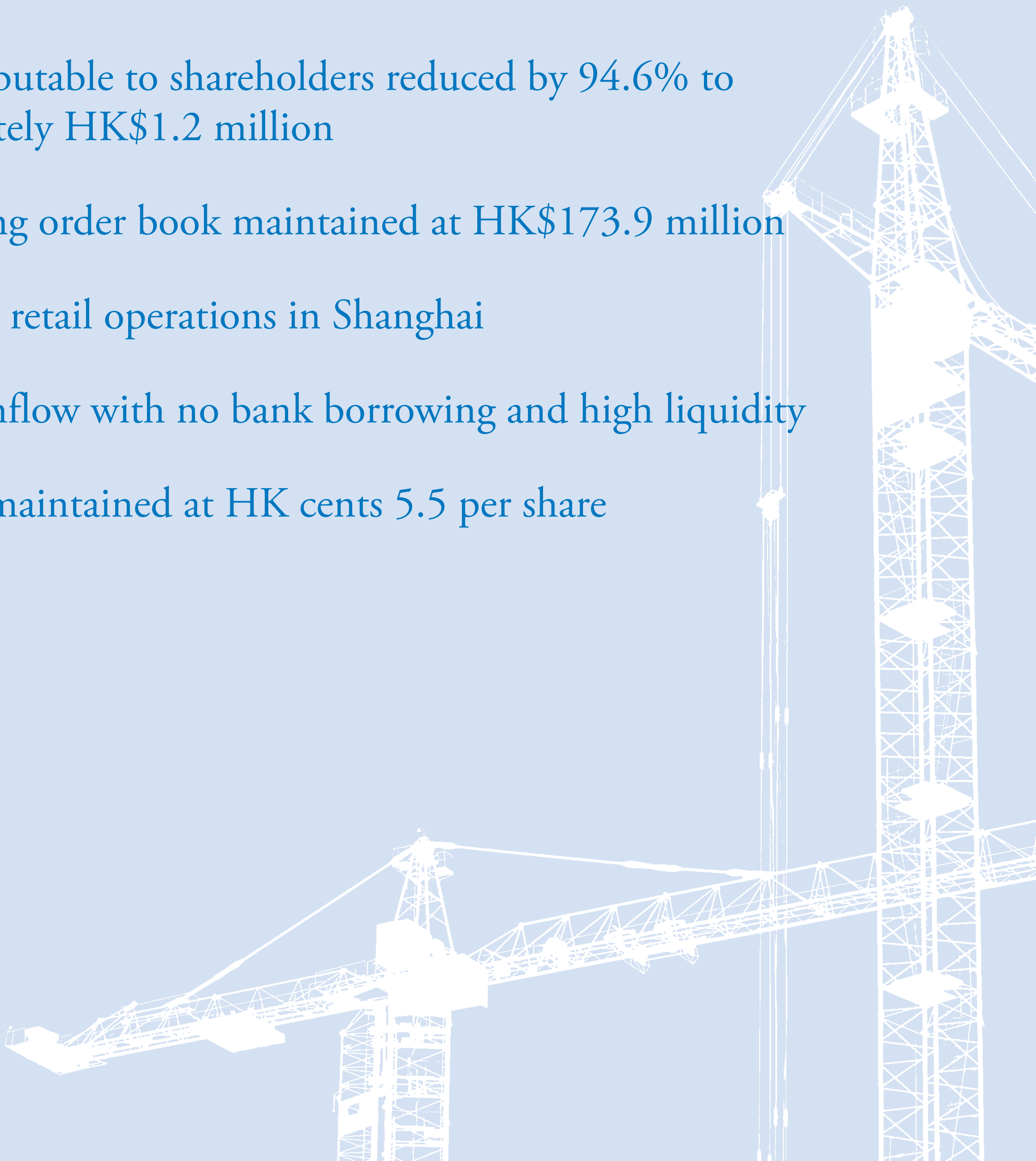
Stock Code : 102

Annual Report 2009

Contents

Highlights

- Results affected by global economic downturn, turnover down by 12.9%
- Profit attributable to shareholders reduced by 94.6% to approximately HK$1.2 million
- Outstanding order book maintained at HK$173.9 million
- Invested in retail operations in Shanghai
- Strong cashflow with no bank borrowing and high liquidity
- Dividend maintained at HK cents 5.5 per share



Stone Processing Factory, Dongguan

2009 was a challenging year for the Group. The global economic downturn adversely affected our export and local trading business with turnover down by 12.9% to HK$364.1 million. Profit attributable to shareholders was HK$1.2 million, down by 94.6%. However, we used the year gainfully, completing the sale of all surplus property in China thus releasing cash for future expansion. We concentrated on staff training and customer service and opened several key overseas accounts and now have the resources and the opportunity to expand as the market improves and our customer base continues to widen.

Highlights of the results of our Operating Divisions are as follows:

Bathrooms:

Our Bathrooms business remained stable in 2009 but improvements in Hong Kong and our expanded activities on the Mainland should provide a good base for growth in 2010.

Event in our Shanghai Showroom

Shanghai Showroom

MTR Austin Road Tile Contract

Retail and Renovation:

Overall results were slightly up, a drop in Hong Kong offset by increased activities through our new Shanghai outlet. We expect 2010 to show significant improvements as Hong Kong stabilises and our Shanghai outlet gains momentum.

Tiles:

Our Tiles business faced challenges in 2009 as certain major renovation projects in Hong Kong were put on hold by Developers who delayed projects due to market conditions.

Marble Export:

The Marble Export operation was adversely affected by a de-stocking process by our overseas customers. However, we have used this time constructively to develop our product range and successfully open new accounts which will give us a much broader base for the future.

CNC Machines in our Stone Factory

Marble Mosaics for Export Market

Engineering:

The Division continues to focus on value added services in a difficult market and it made a positive contribution to the Group as we completed the Prince of Wales Hospital project in 2009.

Building Materials Export:

Turnover decreased by 20% in 2009 but we improved our gross profit margin by focusing on quality and product design. This strengthening of quality control systems and expansion of product ranges, positions us well for growth in 2010.

The Group successfully maintained its strong financial position throughout the economic turmoil in 2009. We believe the most difficult period is behind us and expect to resume a path of reasonable growth in the years ahead.

Michael John Green
Chairman
Hong Kong, 24 March 2010

Showroom at Lockhart Road, Wanchai

Management Discussion and Analysis

Review of Operations

The Group continued its focus on the higher added value opportunities within the building materials and engineering equipment fields and especially the retail of plumbing fixtures and the manufacturing and export of building materials.

During the year the Group recorded a turnover of HK$364.1 million with a gross profit of HK$85.0 million (2008: HK$418.2 million and HK$99.7 million respectively). Gross profit margin decreased slightly from 23.8% to 23.3% as we faced a difficult period in the export and local retail markets. Operating expenses increased to HK$84.8 million (2008: HK$79.8 million) mainly due to an increase in staff compensation and the additional rental expenses and depreciation charges of our new retail shop in Shanghai. As a result, the Group's profit attributable to shareholders for the year decreased to HK$1.2 million (2008: HK$21.9 million).

The Group continued to improve its services, product quality and new market coverage. Despite the recent economic crisis, outstanding orders on hand remained stable at HK$173.9 million (At December 2008: HK$174.4 million).

Segmental Information

Revenue from trading operations decreased by HK$36.3 million to HK$223.7 million with the gross profit contribution decreasing by HK$7.3 million to HK$43.1 million (2008: HK$260.0 million and HK$50.4 million respectively). The decrease was mainly due to the slowdown in demand of composite marbles in Hong Kong as developers postponed their major shopping mall projects in view of the economic uncertainties.

Revenue from manufacturing and export decreased from HK$84.7 million in 2008 to HK$59.6 million in 2009. We expect the situation to improve as our overseas customers completed their de-stocking process and we developed new product programs to increase market share.

During the year, the renovation and retail market in Hong Kong experienced a difficult period. Turnover increased by 9.8% from HK$73.5 million in 2008 to HK$80.7 million in 2009 but gross profit decreased from HK$24.6 million in 2008 to HK$23.6 million.

Foreign Exchange Exposure and Financial Hedging

The Group manages its risk exposure to foreign currency fluctuations and forward exchange contracts have been arranged with the Group's principal bankers to mitigate exchange risks. Further information of the forward exchange contracts is disclosed in the notes to the financial statements.

Liquidity and Financial Resources

The Group maintained a healthy balance sheet with no bank borrowing and no gearing as at year end (At 31 December 2008: Nil). The Group remained conservative in working capital management, and generated a positive cash flow of HK$33.4 million (At 31 December 2008: HK$15.7 million) from operating activities with cash balances of HK$97.6 million as at year end (At 31 December 2008: HK$77.1 million). Most of the Group's cash balances are placed on time deposits with reputable financial institutions. We will continue to manage our cash flow cautiously and expect to meet our future financial requirements from internal resources and bank credit facilities.

Contingent Liabilities

Certain subsidiaries have given undertakings to the banks that they will perform certain contractual financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2009, the amount of guarantees outstanding was HK$4.7 million (At 31 December 2008: HK$4.5 million).

Banking facilities with assets pledged

A leasehold property with net book value of HK$47.8 million at year end held by a subsidiary of the Group is pledged to a bank to obtain banking facilities.

Employees

At the end of 2009, the Group had approximately 360 employees in the Mainland and approximately 135 employees in Hong Kong. The Group continues to provide remuneration packages and training programmes to employees with reference to prevailing market practices. Under the existing share option scheme of the Group, and in compliance with the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Directors were authorised to grant share options to eligible persons as incentives. Details of share options granted are disclosed in the Directors' Report annexed to the 2009 annual report.

Outlook

Recent economic data and our order situation indicates that the worst is now behind us. While 2010 remains challenging, we expect reasonable growth to resume. We will continue our focus on new product development, service enhancement and cost efficiency to strengthen our competitive position and are confident that we are well placed to move forward as the market recovers.

Profiles of Directors and Senior Management

MICHAEL JOHN GREEN, aged 70, is the Chairman of the Group. Mr. Green obtained a bachelor's degree in electrical engineering from McGill University in Canada in 1962 and is a member of various engineering institutions and associations. He is responsible for the strategic planning and overall management of the Group. Mr. Green joined the Group in 1962.

DANIEL GEORGE GREEN, aged 36, an executive director and the Managing Director of the Group. After gaining his degree in Manufacturing Systems Engineering at the University of Pennsylvania, Mr. Green worked in New York as a strategy consultant for Andersen Consulting (now Accenture), and as an equity analyst for Sofaer Capital's Global Hedge Fund. Mr. Green joined the Group in 2002 and is the son of the Chairman.

LAI KA TAK, PATRICK, aged 45, is the Finance Director of the Group. Mr. Lai graduated from the Hong Kong Polytechnic and the University of Warwick with a professional diploma in management accountancy and a master's degree in business administration. He is an associate member of the Chartered Institute of Management Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, he was with the Astron Group Ltd., a subsidiary of Flextronics Group, for 3 years as Chief Financial Officer. Mr. Lai joined the Group in November 1998.

SIMON MURRAY, *CBE*, aged 70, has been an independent non-executive director of the Company since September 2004 and was a non-executive director of the Company from 2002 until 2004. He is the Chairman of General Enterprise Management Services (International) Limited (GEMS Ltd), a private equity fund management company. He is also a director of a number of public listed companies including Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited and USI Holdings Ltd. At the same time, he is a director of Compagnie Financière Richemont SA, Sino-Forest Corporation and Vodafone Group Plc, all being listed companies overseas.

CHRISTOPHER JOHN DAVID CLARKE, aged 60, has been a non-executive director of the Company since September 2004 and was an independent non-executive director from 2002 until 2004. He also serves on the Audit Committee and Remuneration Committee of the Company. Mr. Clarke is the Managing Partner of DLA Piper Hong Kong, the Hong Kong office of a leading international law firm. He has over 35 years of experience as a solicitor in England and Hong Kong with extensive experience in commercial litigation and corporate and commercial law and regulation.

AUGUSTUS RALPH MARSHALL, aged 58, is an Associate of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants, and has more than 31 years' experience in financial and general management. He was appointed to the board of Arnhold Holdings Limited as an Executive Director in May 2000 and since February 2002, he has been serving as a Non-Executive Director. He also serves on the Boards of several companies listed on the Bursa Malaysia Securities Berhad viz. Tanjong Public Limited Company ("Tanjong") also listed on the London Stock Exchange as Executive Director; ASTRO ALL ASIA NETWORKS plc ("Astro") as Executive Deputy Chairman and Group Chief Executive Officer; Maxis Communications Berhad ("Maxis"), MEASAT Global Berhad and KLCC Property Holdings Berhad as Non-Executive Director. He is also an Executive Director of Usaha Tegas Sdn. Bhd. which has significant interests in Tanjong, Astro, Maxis and Pacific Investments (BVI) Limited which is a substantial shareholder in Arnhold Holdings Limited (see page 20).

LIM GHEE KEONG, age 42, was appointed as an alternate director of Mr. Augustus Ralph Marshall in September 2006. He is currently the Group Treasurer of Malaysian based Usaha Tegas Sdn. Bhd. (Usaha Tegas), which has significant interests in telecommunications, media, power, energy, marine logistics, gaming and real estate and other sectors including several companies listed on the Bursa Malaysia Securities Berhad viz. Tanjong Public Limited Company (also listed on the London Stock Exchange plc), Astro All Asia Networks plc and Maxis Berhad. Prior to joining Usaha Tegas, he was attached to General Electric Capital Corporation in the USA and the former Ban Hin Lee Bank in Malaysia. He has more than 20 years' experience in treasury and credit management. His other directorships include Paxys Inc. (listed on the Philippine Stock Exchange), a business process outsourcing company. Mr. Lim graduated with a Bachelor of Business Administration (Distinction), majoring in Finance from the University of Hawaii at Manoa.

OWEN MARK LEWELLIN RHYS, aged 68, was appointed as an independent non-executive director of the Company in February 2009. He is a fellow of the Institute of Chartered Accountants of England & Wales and a former fellow of the Chartered Institute of Bankers in London. He retired in 2003 as Executive Director and Chief Financial Officer of The HongKong and Shanghai Hotels, Limited. Mr. Rhys' career in Hong Kong commenced with KPMG Peat Marwick (formerly known as Peat, Marwick, Mitchell & Co.), followed by Moller's Limited, HSBC and latterly with China Light & Power Company, Limited.

THADDEUS THOMAS BECZAK, aged 59, is an independent non-executive director of the Company since 2004. He also serves on the Audit Committee and Remuneration Committee of the Company. He is currently the Chairman of Cowen Latitude Advisors Limited and Vice Chairman of Cowen and Company, LLC. He is also the non-executive Chairman of ACR Capital Holdings Pte Ltd, Artisan Du Luxe Holding Limited and an independent non-executive director of a number of listed companies, including: Advanced Semiconductor Manufacturing Corp Limited based in Shanghai; and Phoenix Satellite Television and Pacific Online Limited, all headquartered in Hong Kong.

Mr. Beczak is also an adjunct professor of the MBA Program of Hong Kong University of Science and Technology.

Mr. Beczak was the independent non-executive director of Namtai Electronic & Electrical Products Limited from May 2004 to May 2009. He was also the Senior Advisor at Nomura International (Hong Kong) Limited and was also the Chairman of Nomura Asia Holdings N.V. from 2006 until March 2008.

From November 1997 until December 2002, Mr. Beczak was Chairman of the Listing Committee of the Hong Kong Stock Exchange and a member of the Hong Kong Stock Exchange Board of Directors from 1998 until 2001. From June 2001 until May 2007, Mr. Beczak was a member of the Advisory Committee of the Securities and Futures Commission in Hong Kong. Currently, he is a member of the International Advisory Committee of the China Securities Regulatory Commission.

From September 1997 until December 2003, Mr. Beczak was a Director of Kerry Holdings Limited. During this time he also held various Board and operating positions within the group, including Deputy Chairman of SCMP Holdings Limited and Publisher of South China Morning Post Publishers Limited, Deputy Chairman of Shangri-La Asia Limited, Deputy Chairman of Kuok Philippines Properties, a Director of China World Trade Center Limited and a Director of Kerry Properties Limited.

Prior to joining the Kerry Group, Mr. Beczak was a Managing Director of J.P. Morgan Inc., and President of J.P. Morgan Securities Asia from 1990 until 1997. While at J.P. Morgan, Hong Kong, he was a Director of the Bank of the Philippine Islands and a Committee Member of the Hong Kong Association of Banks. Mr. Beczak has over 30 years of experiences in Asia.

Mr. Beczak is a graduate of Georgetown University (B.S.F.S.), and Columbia University (M.B.A). He is a member of the Board of Advisors of the School of Foreign Service at Georgetown.

Corporate Information

Registered Office
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Company Secretary
Lai Ka Tak, Patrick

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Credit Agricole Corporate & Investment Bank

Auditors
PricewaterhouseCoopers

Head Office and Principal Place of Business
6/F Victoria Centre
15 Watson Road
North Point, Hong Kong

Shanghai Office
Unit 210, Man Po
International Business Centre
664 Xin Hua Road
Shanghai
The People's Republic of China

Macau Office
20/F, AIA Tower
251A-301, Avenida Commercial De Macau

Principal Share Registrar and Transfer Agent
Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

Hong Kong Branch Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East
Hong Kong

Website
http://www.arnhold.com.hk

The directors have pleasure in submitting the annual report together with the audited financial statements of Arnhold Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2009.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are shown in note 19 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the consolidated financial statements.

Major Customers and Suppliers

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers during the financial year are as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	12.2%	
Five largest customers in aggregate	28.6%	
The largest supplier		23.6%
Five largest suppliers in aggregate		53.7%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in these major customers or suppliers.

Results and Appropriations

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

The board of directors of the Company did not recommend the payment of any interim dividend for the six months ended 30 June 2009.

The Board has resolved to recommend the payment of a final dividend of HK cents 5.5 per ordinary share, totalling HK$12,424,000 for the year ended 31 December 2009 (2008: final dividend of HK cents 5.5 per ordinary share, totalling HK$12,391,000) subject to the approval of the Company's shareholders at the 2010 AGM. If approved, the final dividend will be paid on or about 20 May 2010.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 29 to the consolidated financial statements.

Charitable Donations

Donations made by the Group during the year amounted to HK$15,000 (2008: HK$64,000).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the consolidated financial statements.

Principal Properties

Details of the principal properties are set out on page 90.

Share Capital

Details of the movements in share capital of the Company are set out in note 28 to the consolidated financial statements.

Distributable Reserves

Distributable reserves of the Company at 31 December 2009, under the Companies Act 1981 of Bermuda, amounted to HK$89,461,000 (2008: HK$89,188,000).

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 89.

Retirement Schemes

Particulars of the retirement schemes of the Group and the Company as at 31 December 2009 are set out in note 11 to the consolidated financial statements.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the year ended 31 December 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Pre-emptive Rights

No pre-emptive rights exist under the laws of Bermuda in relation to issue of new shares by the Company.

Directors

The directors of the Company during the year and up to the date of the Report are:

Executive directors:

Michael John Green *(also appointed as alternate director to Simon Murray)*
Daniel George Green
Lai Ka Tak, Patrick

Non-executive directors:

Augustus Ralph Marshall
Lim Ghee Keong *(alternate director to Augustus Ralph Marshall)*
Christopher John David Clarke

Independent non-executive directors:

Owen Mark Lewellin Rhys
Thaddeus Thomas Beczak
Simon Murray

In accordance with the bye-law 87(1) of the Company's bye-law and the Code on Corporate Governance Practices, all Directors, including those non-executives are subject to retirement once a year. A retiring director is eligible for re-election.

The Company has received annual confirmation of independence from each of Messrs. Owen Mark Lewellin Rhys, Simon Murray and Thaddeus Thomas Beczak and considered them as independent in accordance with the Listing Rules.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Contracts

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

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2009, which do not constitute connected transactions under the Listing Rules are disclosed in note 34 to the consolidated financial statements.

Share Option Scheme

A Share Option Scheme ("the Scheme") was approved and adopted by the shareholders at a special general meeting of the Company on 11 July 2002. The following information relating to the Scheme are made pursuant to the requirements as contained in Chapter 17 of the Listing Rules (reference is made to the circular of the Company dated 24 June 2002 (the "Circular"). Terms defined in the Circular have the same meanings when used in the following summary unless the context requires otherwise):

i) **Purpose of the Scheme**

The purpose of the Scheme is to recognise and acknowledge the contribution that Eligible Persons have made or may make to the Company and to attract and retain and motivate talented staff.

ii) **Participants of the Scheme**

The participants of the Scheme shall be such Eligible Persons as the Board in its absolute discretion determines.

iii) **Maximum number of Shares available for issue under the Scheme**

The maximum number of the Shares which may be issued upon exercise of all outstanding Options to subscribe for Shares granted and yet to be exercised under the Scheme and any other share option scheme shall not exceed 10% of the total number of Shares in issue of the Company as at the date of approval of the Scheme. As at 31 December 2009 and the date of this report, 8,949,600 Shares were available for issue under the Scheme representing 3.97% of the issued share capital of the Company.

iv) **Maximum entitlement to any one participant**

Under the Scheme, the maximum entitlement to Options of each Eligible Person shall be such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to him/her in any 12 months period up to each Commencement Date must not exceed 1% of the issued share capital of the Company at the relevant Commencement Date.

v) **Period and payment on acceptance of options**

Under the Scheme, an Offer may be accepted by an Eligible Person in whole or in part in respect of all Shares for which it is offered to such Eligible Person when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Person together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within forty days from the Offer Date.

Share Option Scheme (cont'd)

vi) The basis of determining the exercise price

The Subscription Price in respect of any Option shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the relevant Commencement Date in respect of such Option, which must be a Business Day; (ii) an amount equivalent to the mean closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the relevant Commencement Date in respect of such Option, which must be a Business Day, and (iii) the nominal value of a Share.

vii) Remaining life of the Scheme

The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless otherwise terminated under the terms of the Scheme.

Details of Options granted to directors and employees under the Scheme as at 31 December 2009 are as follows:

	Date of options granted	Outstanding options as at 1 January 2009	Granted during the year	Exercised/ lapsed/cancelled during the year	Outstanding options as at 31 December 2009	Subscription price per share HK$
Directors						
Daniel George Green	18 September 2003	1,200,000	–	–	1,200,000	0.500
	19 November 2004	2,000,000	–	–	2,000,000	0.602
	21 November 2005	2,200,000	–	–	2,200,000	0.700
	02 January 2008	1,600,000	–	–	1,600,000	1.490
Lai Ka Tak, Patrick	18 September 2003	1,500,000	–	(600,000)	900,000	0.500
	19 November 2004	1,700,000	–	–	1,700,000	0.602
	21 November 2005	1,800,000	–	–	1,800,000	0.700
Employees	18 September 2003	200,000	–	–	200,000	0.500
	21 November 2005	500,000	–	–	500,000	0.700
		12,700,000	–	(600,000)	12,100,000	

Share Option Scheme (cont'd)

At the dates before the Options were granted, 17 September 2003, 18 November 2004, 20 November 2005 and 31 December 2007, the market value per share was HK$0.50, HK$0.60, HK$0.70 and HK$1.49 respectively.

The Options granted on 18 September 2003 can be exercised in two instalments, 50% of which at any time between 1 September 2005 and 30 August 2010 and the remaining 50% at any time between 1 September 2006 and 30 August 2010.

The Options granted on 19 November 2004 can be exercised in two instalments, 50% of which at any time between 1 November 2006 and 30 August 2010 and the remaining 50% at any time between 1 November 2007 and 30 August 2010.

The Options granted on 21 November 2005 can be exercised in two instalments, 50% of which at any time between 1 November 2007 and 30 August 2010 and the remaining 50% at any time between 1 November 2008 and 30 August 2010.

The Options granted on 2 January 2008 can be exercised in two instalments, 50% of which at any time between 2 January 2010 and 10 July 2012 and the remaining 50% at any time between 2 January 2011 and 10 July 2012.

Apart from the Scheme mentioned above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors (including their spouse and children under 18 years of age) have been granted, or have exercised, any rights to subscribe for shares of the Company.

Based on the binomial option pricing model, the fair value of the Options granted on 18 September 2003, 19 November 2004, 21 November 2005 and 2 January 2008 are HK$0.248, HK$0.141, HK$0.180 and HK$0.680 respectively. However, since the valuation relies on subjective assumptions such as the estimated volatility of the Share price, the binomial option pricing model does not necessarily provide a reliable measure of the fair value of the Options. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Share Option Scheme (cont'd)

The weighted average assumptions used are as follows:

	Options granted on			
	2 January 2008	21 November 2005	19 November 2004	18 September 2003
Risk free interest rate (in %)	2.7	4.4	2.8	3.8
Expected life (in years)	4.5	5.0	6.0	6.9
Volatility (in %)	65.4	51.2	49.2	77.5
Expected dividend per share (HK cents)	4.4	4.4	4.4	4.4

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2009, the interests and short positions of each director in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary shares of HK$0.10 each

	Number of shares held						
	Personal interests	Family interests	Corporate interests	Trusts and similar interests	Equity derivatives (Note iii)	Total interests	Percentage of issued share capital
Executive directors:							
Michael John Green	1,272,000	–	–	166,093,617 (Note i)	–	167,365,617	74.09%
Daniel George Green	900,000	–	–	166,093,617 (Note ii)	7,000,000	173,993,617	77.02%
Lai Ka Tak, Patrick	–	–	–	–	4,400,000	4,400,000	1.95%
Non-executive directors:							
Christopher John David Clarke	200,000	–	–	–	–	200,000	0.09%
Augustus Ralph Marshall	–	–	–	–	–	–	–
Lim Ghee Keong *(alternate director)*	–	–	–	–	–	–	–
Independent non-executive directors:							
Owen Mark Lewellin Rhys	–	–	–	–	–	–	–
Thaddeus Thomas Beczak	–	–	–	–	–	–	–
Simon Murray	343,487	–	–	–	–	343,487	0.15%

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures (cont'd)

Notes:

(i) Such shares were held through corporations on behalf of the Michael Green Family Trust.

(ii) Such shares were held through corporations on behalf of the Michael Green Family Trust in which Mr. Daniel George Green has a beneficial interest.

(iii) These represented interests of options granted to directors under a share option scheme to subscribe for shares of the Company, further details of which are set out in the section "Share Option Scheme" of this report.

All interests in the shares and underlying shares of equity derivatives of the Company are long positions. None of the directors held any short position in the shares, underlying shares of equity derivatives or debentures of the Company.

Saved as disclosed above, at no time during the year, the directors and chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Substantial Shareholders' Interests and Short Positions in Shares, Underlying Shares and Debentures

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2009, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued ordinary share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives:

Name of shareholder	Ordinary shares held	Percentage of total issued shares
Pacific Investments (BVI) Limited	16,957,431	7.51%

Pacific Investments (BVI) Limited is a wholly-owned subsidiary of Usaha Tegas Sdn. Bhd.

Save as disclosed above, as at 31 December 2009, the directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to disclose to the Company pursuant to Part XV of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 22 to 28.

Closure of Register of Members

The register of members of the Company will be closed from 10 May 2010 to 13 May 2010 (both days inclusive) during which period no transfer of shares can be registered. In order to qualify for the final dividend and to determine the entitlement to attend and vote at the 2010 AGM, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 7 May 2010.

Sufficiency of Public Float

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

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the audited consolidated financial statements for the year ended 31 December 2009 with the directors.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Michael John Green
Chairman

Hong Kong, 24 March 2010

The Company is committed to maintaining high standards of corporate governance in fulfilling the responsibilities to shareholders. Our business culture and practices are founded upon a common set of values that govern our relationships with customers, employees, shareholders, suppliers and the communities in which we operate. The Company also acknowledges and appreciates its responsibility towards society at large and has embarked upon various initiatives to effectuate this.

The Stock Exchange has promulgated the Code on Corporate Governance Practices (the "Code") in which came into effect in January 2005 and was further updated in February 2009. Throughout the year, the Group has complied with all the code provisions of the Code except for certain deviations. Details of such deviations together with the remedial steps taken/will be taken are discussed later in this section.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding directors securities transactions 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") set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The Company, having made specific enquiries, confirms that all Directors complied throughout the year with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

The Board

Composition of the Board

The Board of the Company comprises nine members. Apart from the Chairman who is an executive Director, the Board comprises two executive Directors and six non-executive directors (including one alternate director) of which three are independent. The composition of the Board is in conformity with rules 3.10(1) and 3.10(2) of the Listing Rules which stipulates a minimum of three independent non-executive Directors with at least one of the independent non-executive Director possesses professional appropriate qualifications and expertise.

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

Executive Directors

Mr. Michael John Green *(Chairman) (also appointed as alternate director to Simon Murray)*
Mr. Daniel George Green *(Managing Director)*
Mr. Lai Ka Tak, Patrick

Non-executive Directors

Mr. Augustus Ralph Marshall
Mr. Lim Ghee Keong *(alternate director to Mr. Augustus Ralph Marshall)*
Mr. Christopher John David Clarke

Independent non-executive Directors

Mr. Owen Mark Lewellin Rhys
Mr. Thaddeus Beczak
Mr. Simon Murray

The Board (cont'd)

Composition of the Board (cont'd)

Mr. Michael John Green is the father of Mr. Daniel George Green and has certain investments made in common with Mr. Simon Murray. Biographies of the Directors are set out on pages 8 to 11 of this Report.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors and the Company considers all independent non-executive Directors to be independent.

Throughout the year, the Board held 4 meetings. A summary of the attendance of respective Directors is stated below:

Name of Directors	Designation in the Board	Category	No. of meetings Held during the year	No. of meetings Attended
Michael John Green	Chairman	Executive Director	4	4
Daniel George Green	Managing Director	Executive Director	4	4
Lai Ka Tak Patrick	Finance Director	Executive Director	4	4
Augustus Ralph Marshall	Director	Non-executive Director	4	0
Lim Ghee Keong	alternate director to Augustus Ralph Marshall	Non-executive Director	4	3
Christopher John David Clarke	Director	Non-executive Director	4	3
Owen Mark Lewellin Rhys	Director	Independent non-executive Director	4	4
Thaddeus Thomas Beczak	Director	Independent non-executive Director	4	4
Simon Murray	Director	Independent non-executive Director	4	4*

* Attended by Mr. Michael John Green as alternate Director

Division of Responsibilities

The Board is chaired by the Chairman and daily management is overseen by the Managing Director ("MD") whose role is similar to that of a CEO. The Board members meet from time to time to discharge their duties effectively including setting corporate strategic objectives; identifying potential risks and affirming that available policies are in hand; delivering standards of directors, chief executives' ethical behaviour; ensuring company accounts are prepared on a going concern basis; and disclosures are communicated to authorities and the public on a timely basis. The management formulates and implements the Board's decisions while the Board ratifies and monitors the same.

Mr. Michael John Green and Mr. Daniel George Green hold the posts of Chairman and MD respectively. This segregation ensures a clear distinction between the Chairman's responsibility to manage the Board and the MD's responsibility to manage the Company's business.

As the Chairman of the Company, Mr. Michael John Green not only oversees the effective running of the Board but also plays a full and constructive part in the development and determination of the Group's strategies and overall commercial objectives. With close consultation with the Chairman, other Board members and the management team, the MD develops the Group's strategies and implements the decisions of the Board and its committees. The Board also comprises independent non-executive Directors who bring strong independent judgement, knowledge and experience to the Board's deliberations.

Directors' Appointment

Notwithstanding the provisions of the Code, the non-executive Directors are not appointed for a specific term and no specific provisions are available under the Bye-laws of the Company (the "Bye-laws") where Directors are obliged to retire by rotation at least once every three years. To ensure the compliance of the Code, service agreement with a specific term will be executed between the Group and each non-executive director before the end of March 2010.

Remuneration Committee

The Company established the Remuneration Committee in 2005 with its members comprising two independent non-executive Directors and one non-executive Director. Mr. Thaddeus Thomas Beczak was appointed Chairman of the Committee.

The Remuneration Committee makes recommendations to the Board in respect of the Company's policy on directors' remuneration packages. The Committee helps to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate people of highest caliber and experience needed to shape and execute strategy and deliver shareholder value in the context of an ever more competitive employment market.

The Company did not adopt the terms of reference of the Remuneration Committee as prescribed in the Code in full but had duly adopted its own terms of reference to suit the practical situation of the Company as stated in the 2008 annual report. To ensure the full compliance of the Code, the Company had revised the terms of reference of the Remuneration Committee as prescribed in the Code in full which was approved and adopted by the Board on 3 December 2009. Adopted terms of reference of the Remuneration Committee is available on the website of the Company.

Remuneration Committee (cont'd)

During the year, the Remuneration Committee members met once to determine the remuneration policies of the Group. No executive Director takes part in any discussion about his own remuneration. Details of Directors' emoluments and retirement benefits and the granting of share options during the year are disclosed on pages 62 to 64 and 17 of this Report respectively.

Composition of the Remuneration Committee and details of members' attendance to the Committee are set out below:

Name of member	Designation in the Committee	Number of meetings Held during the year	Attended
Mr. Thaddeus Thomas Beczak	Chairman	1	1
Mr. Owen Mark Lewellin Rhys	Member	1	1
Mr. Christopher John David Clarke	Member	1	1
Mr. Michael John Green	Advisor	1	1

Audit Committee

The Audit Committee was established with written terms of reference that describe the authority and duties of the Committee. Such terms of reference were prepared and adopted with reference to "A Guide for Effective Audit Committees" published by the Hong Kong Institute of Certified Public Accountants and in compliance with the code provisions stipulated in the Code. Currently, the Audit Committee comprises two independent non-executive Directors, namely Messrs. Owen Mark Lewellin Rhys and Thaddeus Thomas Beczak and a non-executive director, Mr. Christopher John David Clarke, who among themselves possess appropriate professional qualifications or expertise as required under rule 3.21 of the Listing Rules. Mr. Owen Mark Lewellin Rhys is the Chairman of the Audit Committee. Adopted terms of reference of the Audit Committee is available on the website of the Company.

The Audit Committee is accountable to the Board. It provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. In fulfilling its responsibilities, the work of the Audit Committee during the year include the following:

i) a review of the draft annual and interim financial statements and the draft results announcements of the Company focusing on main areas of judgment, consistency of and changes in accounting policies and adequacy of information disclosure prior to recommending them to the Board for approval;

Audit Committee (cont'd)

ii) a review of the results of external audit and discussion with the external auditors;

iii) a review of the potential risks in areas of operation and financial information systems as well as the industry environment as a whole and possible ways to migrate such risks;

iv) a review of the adequacy and effectiveness of the Group's system of internal controls, through review of the work undertaken by the management and external auditors.

Composition of the Audit Committee and details of members' attendance to the Committee meetings are set out below:

Name of member	Designation in the Committee	Number of meetings Held during the year	Attended
Mr. Owen Mark Lewellin Rhys	Chairman	2	2
Mr. Thaddeus Thomas Beczak	Member	2	1
Mr. Christopher John David Clarke	Member	2	2

Auditor's Remuneration

During the year, the fees paid/payable to the auditors in respect of audit and non-audit services provided by the auditors to the Group were as follows:

Nature of services	Amount (HK$)
Audit services	1,738,702
Non audit services	
(i) Tax services	303,158
(ii) Other services	–

Directors' Acknowledgement to Prepare Financial Statements

The Board acknowledges their responsibilities for preparing the financial statements of the Group. In the statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made, and relevant financial disclosure obligations under the Listing Rules have been taken into account.

Directors' Acknowledgement to Prepare Financial Statements (cont'd)

The relevant responsibility statement from the external auditors made pursuant to the Code is set out in the Report of the Auditors on pages 29 to 30.

The Board has reviewed the business plan of the Group in respect of the forthcoming financial year and is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

Internal Controls

The Board has conducted a review of the effectiveness of the system of internal control of the Company and its subsidiaries. The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company maintains a well-established control framework comprising clear structures and accountabilities, well-understood policies and procedures and budgeting and review process. The management meets monthly with the executive Directors to review divisional financial performance, business development plans, management issues, financial budgets and forecasts and capital expenditure proposals. The executive Directors also regularly receive reports from executives and functional heads on key risk subjects.

The Board works together with the Audit Committee to discharge its internal control responsibility for the ongoing oversight of the internal control framework which provides an important key to reinforcing the organization's commitment to internal control.

The Company has implemented an annual programme to conduct an in-depth review of financial, operational and compliance controls and compliance with company financial policies at business units. The Board reports its findings to the Audit Committee and any material issues are reported and discussed with the Board.

Investor Relations

The Chairmen of the Company and of the Committees are available at annual general meetings to answer questions raised by shareholders of the Company or other parties. To facilitate enforcement of shareholders' rights, substantially separate issues at general meetings are dealt with under separate resolutions.

Changes to constitutional documents

The Company adopted, at the annual general meeting held on 6 May 2005, a new set of Bye-laws to incorporate the changes promulgated by the new Listing Rules effective on 1 January 2004, bringing it up to date with the Securities and Futures Ordinance and in line with current best practices.

General meeting

The general meeting provides a forum for the Board to communicate with the shareholders. During the year, the Company held one general meeting on 14 May 2009. The following ordinary resolutions were passed at the meeting by a show of hands:

1. To receive and consider the consolidated audited financial statements and the reports of the directors and auditors for the year ended 31 December 2008.

2. To declare a final dividend of HK5.5 cents per share for the year ended 31 December 2008.

3. To re-elect Mr. Simon Murray as a director;

4. To re-elect Mr. Augustus Ralph Marshall as a director;

5. To re-elect Mr. Owen Mark Lewellin Rhys as a director;

6. To authorize the board of directors to fix the remuneration of the directors.

7. To re-appoint Messrs. PricewaterhouseCoopers as auditors of the Company and authorise the board of directors to fix their remuneration.

8. A. To grant a general mandate to the directors to issue securities.

   B. To grant a general mandate to the directors to repurchase the Company's securities.

   C. To extend the securities issue mandate granted to the directors to include securities repurchased by the Company.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ARNHOLD HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Arnhold Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 31 to 88, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the 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 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 Companies Act 1981 of Bermuda 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2010

Consolidated Statement of Comprehensive Income

	Note	For the year ended 31 December 2009 HK$'000	2008 HK$'000
Turnover	5	**364,089**	418,221
Cost of sales	6	**(279,138)**	(318,494)
Gross profit		**84,951**	99,727
Other revenues	5	**2,594**	2,585
Operating expenses	7	**(84,811)**	(79,827)
Gain on disposal of an investment property	16	**–**	94
Operating profit		**2,734**	22,579
Finance income	8	**320**	1,506
Finance costs	8	**(11)**	(93)
Profit before income tax		**3,043**	23,992
Income tax expense	12	**(1,851)**	(2,079)
Profit for the year, attributable to shareholders	13	**1,192**	21,913
Other comprehensive income/(expenses)			
Surplus/(deficit) on revaluation of available-for-sale financial assets		**88**	(372)
Total comprehensive income for the year, attributable to shareholders		**1,280**	21,541
Basic earnings per share (HK cents)	14	**0.53**	9.73
Diluted earnings per share (HK cents)	14	**0.52**	9.47
Proposed dividend	15	**12,424**	12,391
Proposed dividend per share (HK cents)	15	**5.5**	5.5

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

		As at 31 December	
		2009	2008
	Note	**HK$'000**	HK$'000
NON-CURRENT ASSETS			
Investment property	16	**–**	3,341
Property, plant and equipment	17	**47,067**	49,769
Lease prepayments	18	**46,789**	47,837
Available-for-sale financial assets	20	**2,875**	2,787
		96,731	103,734
CURRENT ASSETS			
Investment property held for sale	21	**2,681**	–
Inventories	22	**20,968**	27,385
Trade and other receivables	23	**90,693**	107,008
Derivative financial instruments	24	**285**	371
Current income tax recoverable		**–**	1
Cash and cash equivalents	25	**97,575**	77,108
		212,202	211,873
CURRENT LIABILITIES			
Trade and other payables	26	**86,041**	78,946
Derivative financial instruments	24	**856**	4,413
Provisions	27	**2,155**	2,375
Current income tax liabilities		**340**	–
		89,392	85,734
NET CURRENT ASSETS		**122,810**	126,139

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**219,541**	229,873
NON-CURRENT LIABILITIES			
Deferred income tax liabilities	30	**263**	226
NET ASSETS		**219,278**	229,647
CAPITAL AND RESERVES			
Share capital	28	**22,590**	22,530
Reserves	29		
Proposed final dividend		**12,424**	12,391
Others		**184,264**	194,726
		196,688	207,117
SHAREHOLDERS' FUNDS		**219,278**	229,647

Approved by the board of directors on 24 March 2010.

Michael John Green	**Lai Ka Tak, Patrick**
Chairman	*Finance Director*

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

Balance Sheet

	Note	As at 31 December 2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	19	**194,303**	193,849
CURRENT ASSETS			
Trade and other receivables	23	**264**	250
Amount due from a subsidiary	19	**13,222**	13,000
Cash and cash equivalents	25	**474**	234
		13,960	13,484
CURRENT LIABILITIES			
Trade and other payables	26	**256**	203
NET CURRENT ASSETS		**13,704**	13,281
NET ASSETS		**208,007**	207,130
CAPITAL AND RESERVES			
Share capital	28	**22,590**	22,530
Reserves	29		
Proposed final dividend		**12,424**	12,391
Others		**172,993**	172,209
		185,417	184,600
SHAREHOLDERS' FUNDS		**208,007**	207,130

Approved by the board of directors on 24 March 2010.

Michael John Green
Chairman

Lai Ka Tak, Patrick
Finance Director

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

	Note	For the year ended 31 December 2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**3,043**	23,992
Depreciation of property, plant and equipment		**4,847**	3,806
Amortisation of lease prepayment		**1,048**	1,049
Interest income		**(320)**	(1,506)
Interest expenses		**11**	93
Loss on disposal of property, plant and equipment		**20**	2
Gain on disposal of an investment property	16	**–**	(94)
Fair value loss on investment property held for sale		**660**	–
Net fair value (gain)/loss on derivative financial instruments		**(381)**	6,249
Employee share-based compensation benefits		**453**	568
CHANGES IN WORKING CAPITAL		**9,381**	34,159
Decrease/(increase) in inventories		**6,417**	(1,871)
Decrease in trade and other receivables		**16,315**	8,169
Increase/(decrease) in trade and other payables		**5,762**	(25,876)
(Decrease)/increase in provisions		**(220)**	698
CASH GENERATED FROM OPERATIONS		**37,655**	15,279
Interest received		**320**	1,506
Interest paid		**(11)**	(93)
Net settlement on derivative financial instruments		**(3,090)**	332
Hong Kong profits tax refund/(paid)		**179**	(499)
Overseas tax paid		**(1,652)**	(861)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**33,401**	15,664

Consolidated Cash Flow Statement

	Note	For the year ended 31 December 2009 HK$'000	2008 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		**(2,171)**	(9,771)
Proceeds from disposal of property, plant and equipment		**6**	1
Proceeds from disposal of an investment property	16	**–**	6,603
Receipts in advance from disposal of investment property held for sale		**1,333**	–
NET CASH USED IN FROM INVESTING ACTIVITIES		**(832)**	(3,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		**300**	–
Dividend paid		**(12,402)**	(9,913)
NET CASH USED IN FINANCING ACTIVITIES		**(12,102)**	(9,913)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**20,467**	2,584
Cash and cash equivalents at the beginning of the year		**77,108**	74,524
Cash and cash equivalents at the end of the year		**97,575**	77,108

The notes on pages 38 to 88 are an integral part of these consolidated financial statements.

	For the year ended 31 December						
	Share capital HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Share premium HK$'000	Available-for-sale investment reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2008	22,530	808	98,273	92,709	996	2,135	217,451
Profit attributable to shareholders	–	–	21,913	–	–	–	21,913
Other comprehensive expenses:							
Deficit on revaluation	–	–	–	–	(372)	–	(372)
Total comprehensive income/(expenses)	–	–	21,913	–	(372)	–	21,541
Dividend relating to 2007 and paid in May 2008	–	–	(9,913)	–	–	–	(9,913)
Employee share-based compensation benefits	–	–	–	–	–	568	568
	–	–	(9,913)	–	–	568	(9,345)
At 31 December 2008	22,530	808	110,273	92,709	624	2,703	229,647
Representing:							
2008 Proposed final dividend			12,391				
Others			97,882				
Retained earnings as at 31 December 2008			110,273				
At 1 January 2009	22,530	808	110,273	92,709	624	2,703	229,647
Profit attributable to shareholders	–	–	1,192	–	–	–	1,192
Other comprehensive income:							
Surplus on revaluation	–	–	–	–	88	–	88
Total comprehensive income	–	–	1,192	–	88	–	1,280
Employee share option scheme:							
Issuance of ordinary shares	60	–	–	240	–	–	300
Transfer among reserves	–	–	149	–	–	(149)	–
Dividend relating to 2008 and paid in May 2009	–	–	(12,402)	–	–	–	(12,402)
Employee share-based compensation benefits	–	–	–	–	–	453	453
	60	–	(12,253)	240	–	304	(11,649)
At 31 December 2009	**22,590**	**808**	**99,212**	**92,949**	**712**	**3,007**	**219,278**
Representing:							
2009 Proposed final dividend			12,424				
Others			86,788				
Retained earnings as at 31 December 2009			**99,212**				

1 General Information

The principal activities of Arnhold Holdings Limited (the "Company") and its subsidiaries (together the "Group") are (i) trading, (ii) manufacturing and export and (iii) retail and renovation operations.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, Church Street, Hamilton HM 11, Bermuda.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2010.

2 Summary of Significant Accounting Policies

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.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment property, which is carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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.

The applicable HKFRSs include all applicable Hong Kong Accounting Standards ("HKASs") and Hong Kong International Financial Reporting Interpretations ("HK(IFRIC)s") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of preparation (cont'd)

(a) New and amended standards adopted by the Group

The HKICPA has issued a new standard and a number of revised/amendments to standards and interpretations that are first effective for the financial year beginning 1 January 2009. Of these, the following developments are relevant to the Group's financial statements:

HKAS 1 (revised)	Presentation of financial statements
HKFRS 1 and HKAS 27 (amendment)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (amendment)	Share-based payment
HKFRS 7 (amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments
Improvements to HKFRSs	

The Improvements to HKFRSs comprise a number of minor amendments to a range of HKFRSs. These, together with the amendments to HKFRS 1 and HKAS 27 and HKFRS 2 have had no material impact on the Group's financial statements. The impact of the remainder of these developments is as follows:

HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present one statement: a statement of comprehensive income. The audited consolidated financial statements have been prepared under the revised disclosure requirements.

HKFRS 7 (amendment), 'Financial Instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of preparation (cont'd)

(a) New and amended standards adopted by the Group (cont'd)

HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Committee that makes strategic decisions.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standard, revised/amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

		Effective date
HKAS 24 (revised)	Related party disclosures	1 January 2011
HKAS 27 (revised)	Consolidation and separate financial statements	1 July 2009
HKAS 32 (amendment)	Classification of rights issue	1 February 2010
HKAS 39 (amendments)	Eligible hedged items	1 July 2009
HKFRS 2 (amendment)	Group cash-settled share-based payment transaction	1 January 2010
HKFRS 3 (revised)	Business combinations	1 July 2009
HKFRS 9	Financial instruments	1 January 2013
HK(IFRIC) Int 14 (amendment)	Prepayment of minimum funding requirements	1 January 2011
HK(IFRIC) Int 17	Distributions of non-cash assets to owners	1 July 2009
HK(IFRIC) Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

2 Summary of Significant Accounting Policies (cont'd)

2.1 Basis of preparation (cont'd)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (cont'd)

		Effective date
Improvements to HKFRSs 2009:		
HKAS 1	Current/non-current classification of convertible instruments	1 January 2010
HKAS 7	Classification of expenditures on unrecognized assets	1 January 2010
HKAS 17	Classification of leases of land and buildings and consequential amendment to HK-Int 4	1 January 2010
HKAS 36	Unit of accounting for goodwill impairment test	1 January 2010
HKAS 38	Additional consequential amendments arising from HKFRS	1 July 2009
HKAS 39	Treating loan prepayment penalties as closely related derivatives	1 January 2010
HKFRS 2	Scope of HKFRS 2 and HKFRS 3 (revised)	1 July 2009
HKFRS 5	Disclosures required in respect of non-current assets	1 January 2010
HKFRS 8	Disclosure of information about segment assets	1 January 2010
HK(IFRIC) Int 9 and HKFRS 3 (revised)	Reassessment of embedded derivatives	1 July 2009
HK(IFRIC) – Int 16	Hedges of a net investment in a foreign operation	1 July 2009

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

2 Summary of Significant Accounting Policies (cont'd)

2.3 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. 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 fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (note 2.10). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

2 Summary of Significant Accounting Policies (cont'd)

2.5 Foreign currency translation (cont'd)

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of comprehensive income as part of the gain or loss on sale.

2.6 Property, plant and equipment

Buildings comprise mainly a factory, warehouses and offices. Buildings are shown at cost less accumulated depreciation and impairment losses. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

2 Summary of Significant Accounting Policies (cont'd)

2.6 Property, plant and equipment (cont'd)

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold buildings	50 years
Leasehold improvements	2 – 5 years
Furniture and equipment	3 – 5 years
Plant and machinery	5 – 10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating expenses, in the consolidated statement of comprehensive income.

2.7 Lease prepayments

Lease prepayments represent interests in leasehold land and land use rights and are carried at cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost of lease prepayments on a straight-line basis over the respective lease periods.

2.8 Investment property

Investment property represents land and building which are owned or held under a leasehold interest to earn rental income and/or capital appreciation or both, and that are not occupied by the companies in the consolidated Group.

After initial recognition, investment property is stated in the balance sheet at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset, determined annually by independent qualified valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in the consolidated statement of comprehensive income. Rental income from investment property is accounted for as described in note 2.25.

2 Summary of Significant Accounting Policies (cont'd)

2.8 Investment property (cont'd)

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of comprehensive income.

Subsequent expenditure is charged to the asset's carrying amount 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 repairs and maintenance costs are expenses in the consolidated statement of comprehensive income during the financial period in which they are incurred.

2.9 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

2.10 Impairment of investments in subsidiaries and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of Significant Accounting Policies (cont'd)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2.14).

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.11.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through consolidated profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the consolidated statement of comprehensive income within 'cost of sales' in the period in which they arise.

2 Summary of Significant Accounting Policies (cont'd)

2.11 Financial assets (cont'd)

2.11.2 Recognition and measurement (cont'd)

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date the financial derivative contracts are entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The changes in fair value of qualified hedging instruments are recognised in equity. For derivative instruments that do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated statement of comprehensive income.

2.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula. The cost of finished goods and work in progress comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of Significant Accounting Policies (cont'd)

2.14 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other 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 receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet, if any.

2.16 Share capital

Ordinary shares are classified as equity.

2.17 Borrowings

Borrowings, when appropriate, are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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 balance sheet date.

2 Summary of Significant Accounting Policies (cont'd)

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

2 Summary of Significant Accounting Policies (cont'd)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.22 Employee benefits

(a) Long service payments

Provision for long service payments is recognised for the best estimate of the long service payments that are required to be made to the employees of the Group in respect of their services to date less any amounts that would be expected to be met out of the Group's retirement schemes.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made by the Group for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity are not recognised until the time of leave.

(c) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Summary of Significant Accounting Policies (cont'd)

2.22 Employee benefits (cont'd)

(d) Pension obligations

The Group operate defined contribution pension schemes regulated under the Occupational Retirement Schemes Ordinance ("ORSO") and AIA-JF Premium Mandatory Provident Fund Scheme ("MPF") (collectively known as "Retirement Schemes") which are available to all employees. The Group pays contributions to trustee-administered funds. Contributions to the Retirement Schemes by the Group and employees are calculated as a percentage of the employees' basic salaries. The Group has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(e) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

2 Summary of Significant Accounting Policies (cont'd)

2.23 Share-based payments (cont'd)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.24 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

2.25 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from the sale of goods is recognised when the goods are delivered at customers' premises which is taken to be the point in time when customers have accepted the goods and the related risks and rewards of ownership.

Revenue from sale of services is recognised in the accounting period in which the services are rendered.

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

Dividend income is recognised when the right to receive payment is established.

Rental income from investment property is recognised in the consolidated statement of comprehensive income in equal instalments over the period of the lease.

2 Summary of Significant Accounting Policies (cont'd)

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Financial Risk Management

3.1 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

Under the Group's risk management program, each department identifies and documents their key tasks and the risk associated with their tasks. The risks are summarized in a risk assessment program where they are graded by likelihood and consequences and where the procedures and controls for management risks are recorded.

(a) Market risk

(i) Foreign exchange risk

The operations of the Group are exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. To mitigate risks arising from fluctuations in exchanges rates, forward foreign exchange contracts are used to monitor the currency exposure of the Group.

The Group's risk management policy is to monitor the anticipated cash flows (mainly purchase of merchandise and inventory) in each major foreign currency for the subsequent 12 months. Forward foreign exchange contracts are generally used to hedge the purchase costs to confirmed orders.

At 31 December 2009, if the HK dollar had weakened/strengthened by 3% against the Euro with all other variables held constant, pre-tax profit for the year would have been HK$1,105,000 (2008: HK$1,217,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated cash and cash equivalents and foreign exchange losses/gains on translation of Euro-denominated trade payables offset by gains/losses on derivative financial instruments at fair value through profit or loss.

3 Financial Risk Management (cont'd)

3.1 Financial risk management (cont'd)

(a) Market risk (cont'd)

(i) Foreign exchange risk (cont'd)

At 31 December 2009, if the HK dollar had weakened/strengthened by 5% against the RMB with all other variable held constant, pre-tax profit for the year would have been HK$1,439,000 (2008: HK$1,937,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables and cash and cash equivalents and trade payables.

(ii) Price risk

The Group's exposure to price risks is considered insignificant. Investments held by the Group represent unlisted club debentures, which are classified in the consolidated balance sheet as available-for-sale.

(iii) Interest rate risk

The Group has no significant interest-bearing assets and liabilities. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The Group has no significant concentration of credit risk. The credit risk of the Group mainly arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to customers.

The Group has policies that limit the amount of credit exposure to any financial institution. All bank deposits are held with reputable financial institutions.

The Group manages its exposure to derivative counter-parties by taking into account their financial strength and are limited to high-credit-quality financial institutions.

The Group has policies in place to ensure that sales of goods and services are provided to customers with an appropriate credit history. The Group's credit control team assesses on each of the Group's individual customers and determines the respective credit limits based on, among other factors, the trading and settlement history and the financial background of each individual customer.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and making available an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining availability under committed credit lines.

3 Financial Risk Management (cont'd)

3.1 Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

Management monitors rolling cashflow forecasts of the Group's to ensure it has sufficient cash to meet operational needs. All trade payables and customers' deposits as at 31 December 2009 and 2008 are expected to be settled within one year. The impact of discounting is not significant on the basis of expected cash flow.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis in less than 1 year based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group	2009 HK$'000	2008 HK$'000
Forward foreign exchange contracts:		
Outflow	(47,946)	(66,418)
Inflow	47,375	62,376

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

The Group had no bank borrowings and no gearing as at 31 December 2009 and 2008.

3 Financial Risk Management (cont'd)

3.3 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
Assets			
Financial assets at fair value through profit or loss			
– Derivative financial instruments	–	285	–
Available-for-sale financial assets	–	2,875	–
Total assets	–	3,160	–
Liabilities			
Financial liabilities at fair value through profit or loss			
– Derivative financial instruments	–	856	–
Total liabilities	–	856	–

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 assumptions 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.

(a) Impairment of receivables

The impairment of receivables is assessed based on the evaluation of the collectibility and aging analysis, including the creditworthiness and the collection history of each customer. Judgement is required when assessing the realisability of these receivables.

(b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 period in which such determination is made.

5 Segment Information

The principal activities of the Group are (i) trading, (ii) manufacturing and export and (iii) retail and renovation operations. The principal activities of the subsidiaries are set out in note 19 of the consolidated financial statements.

	2009 **HK$'000**	2008 HK$'000
Turnover		
Sales of goods	**364,089**	418,221
Other revenues		
Gross rental income from investment property	**75**	358
Sundry income	**2,519**	2,227
	2,594	2,585
Total revenues	**366,683**	420,806

5 Segment Information (cont'd)

The analysis of the Group's performance for the year is from both a business and geographical perspective. From a business perspective, management assesses the performance of (i) trading, (ii) manufacturing & export and (iii) retail and renovation operations. Trading is further evaluated on a geographic basis (Hong Kong and Macau, and Mainland China).

The Group assesses the performance of the operating segments based on a measure of gross profit. Finance income, finance costs and income tax expenses are not allocated to segments, as these types of activities are managed on a central basis.

Total assets mainly exclude current income tax recoverable, available-for-sale financial assets and cash and cash equivalents, that are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Corporate total assets mainly include the leasehold land and buildings, investment property and investment property held for sale, that are not allocated to any operating segments.

The segment information for the year ended 31 December 2009 is as follows:

	Trading			Manufacturing and export	Retail and renovation	Corporate	Total
	Hong Kong and Macau HK$'000	Mainland China HK$'000	Trading Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total turnover	192,323	31,479	223,802	102,813	80,735	–	407,350
Inter-segment turnover	(79)	–	(79)	(43,182)	–	–	(43,261)
Turnover (from external customers)	192,244	31,479	223,723	59,631	80,735	–	364,089
Gross profit	37,727	5,399	43,126	18,232	23,593	–	84,951
Depreciation of property, plant and equipment	(819)	–	(819)	(1,393)	(2,050)	(585)	(4,847)
Amortisation of lease prepayments	–	–	–	–	–	(1,048)	(1,048)
Total assets	47,479	15,110	62,589	47,585	31,208	65,628	207,010
Additions to non-current assets (other than available-for sale financial assets)	15	27	42	778	1,179	172	2,171

5 Segment Information (cont'd)

A reconciliation of gross profit to total profit before income tax is provided as follows:

	2009 HK$'000	2008 HK$'000
Gross profit	**84,951**	99,727
Depreciation of property, plant and equipment	**(4,793)**	(3,722)
Amortisation of lease prepayments	**(1,048)**	(1,049)
Other expenses	**(76,376)**	(72,377)
Operating profit	**2,734**	22,579
Finance income	**320**	1,506
Finance costs	**(11)**	(93)
Profit before income tax	**3,043**	23,992

The segment information for the year ended 31 December 2008 is as follows:

	Trading			Manufacturing and export	Retail and renovation	Corporate	Total
	Hong Kong and Macau HK$'000	Mainland China HK$'000	Trading Total HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total turnover	221,358	38,714	260,072	128,581	73,527	–	462,180
Inter-segment turnover	(59)	–	(59)	(43,900)	–	–	(43,959)
Turnover (from external customers)	221,299	38,714	260,013	84,681	73,527	–	418,221
Gross profit	40,176	10,249	50,425	24,697	24,605	–	99,727
Depreciation of property, plant and equipment	(990)	–	(990)	(1,362)	(866)	(588)	(3,806)
Amortisation of lease prepayments	–	–	–	–	–	(1,049)	(1,049)
Total assets	61,524	21,528	83,052	56,890	26,483	68,603	235,028
Additions to non-current assets (other than available-for sale financial assets)	221	57	278	1,201	7,636	656	9,771

5 Segment Information (cont'd)

Reportable segments' assets are reconciled to total assets as follows:

	2009 HK$'000	2008 HK$'000
Total segment assets	**207,010**	235,028
Unallocated:		
Current income tax recoverable	**–**	1
Available-for-sale financial assets	**2,875**	2,787
Cash and cash equivalents	**97,575**	77,108
Others	**1,473**	683
Total assets	**308,933**	315,607

6 Cost of Sales

	2009 HK$'000	2008 HK$'000
Cost of inventories sold	**276,987**	309,099
Cost of consumable inventories	**2,478**	3,062
Depreciation of property, plant and equipment	**54**	84
Net fair value (gain)/loss on derivative financial instruments	**(381)**	6,249
	279,138	318,494

7 Operating Expenses

	2009 HK$'000	2008 HK$'000
Administrative expenses:		
Employee benefit expenses (note 9)	**45,098**	43,449
Directors' remuneration (note 10)	**8,069**	7,987
Depreciation of property, plant and equipment	**4,793**	3,722
Amortisation of lease prepayments	**1,048**	1,049
Operating lease rentals on properties paid to third parties	**5,527**	4,635
Travelling expenses	**2,416**	2,572
Entertainment expenses	**1,109**	785
Management fee	**1,440**	1,440
Stamps, postage and telephone	**883**	1,040
Auditor's remuneration	**1,948**	1,903
Legal and professional fees	**968**	693
Advertising & promotion expenses	**360**	216
	73,659	69,491
Other operating expenses:		
Write back of provision for impairment of receivables	**(169)**	(376)
Provision for impairment of receivables	**–**	376
Receivables written off	**722**	–
Provision for stock obsolescence	**503**	493
Provision for long service payments	**(349)**	817
Provision for employee leave entitlements	**269**	195
Loss on disposal of property, plant and equipment	**20**	2
Exchange difference	**–**	(32)
Fair value loss on investment property held for sale (note 21)	**660**	–
Sundry expenses	**9,496**	8,861
	11,152	10,336
	84,811	79,827

8 Finance Income and Finance Costs

	2009 HK$'000	2008 HK$'000
Finance income		
Interest income from bank deposits	**320**	1,506
Finance cost		
Interest expenses on bank overdrafts	**11**	93

9 Employee Benefit Expenses

	2009 HK$'000	2008 HK$'000
Wages and salaries	**43,379**	41,883
Termination benefits	**28**	106
Retirement Schemes contributions (note 11)	**1,691**	1,447
Employee share-based compensation benefits (note 29)	**–**	13
	45,098	43,449

10 Directors' and Senior Management's Emoluments

(a) Directors' remuneration

The aggregate amounts of emoluments paid or payable to directors pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2009 HK$'000	2008 HK$'000
Fees	**750**	750
Salaries and other benefits	**5,860**	5,596
Discretionary bonus	**20**	100
Year end bonus	**497**	497
Retirement Schemes contributions (note 11)	**489**	489
Employee share-based compensation benefits (note 29)	**453**	555
	8,069	7,987

10 Directors' and Senior Management's Emoluments (cont'd)

(a) Directors' remuneration (cont'd)

Included in the directors' remuneration were fees of HK$750,000 (2008: HK$750,000) paid to non-executive directors and independent non-executive directors during the year.

The remuneration of every director for the year ended 31 December 2009 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Year end bonus HK$'000	Pension scheme contribution HK$'000	Employee share-based compensation benefits HK$'000	Other benefits in kind HK$'000	Total HK$'000
Michael John Green	–	1,669	–	139	167	–	119	2,094
Daniel George Green	–	1,573	–	198	178	453	576	2,978
Lai Ka Tak, Patrick	–	1,923	20	160	144	–	–	2,247
Augustus Ralph Marshall	150	–	–	–	–	–	–	150
Christopher John David Clarke	150	–	–	–	–	–	–	150
Simon Murray	150	–	–	–	–	–	–	150
Owen Mark Lewellin Rhys	150	–	–	–	–	–	–	150
Thaddeus Thomas Beczak	150	–	–	–	–	–	–	150
Lim Ghee Keong	–	–	–	–	–	–	–	–
	750	5,165	20	497	489	453	695	8,069

The remuneration of every director for the year ended 31 December 2008 is set out below:

Name of Director	Fee HK$'000	Salary HK$'000	Discretionary bonus HK$'000	Year end bonus HK$'000	Pension scheme contribution HK$'000	Employee share-based compensation benefits HK$'000	Other benefits in kind HK$'000	Total HK$'000
Michael John Green	–	1,669	–	139	167	–	119	2,094
Daniel George Green	–	1,309	–	198	178	509	576	2,770
Lai Ka Tak, Patrick	–	1,923	100	160	144	46	–	2,373
Augustus Ralph Marshall	150	–	–	–	–	–	–	150
Christopher John David Clarke	150	–	–	–	–	–	–	150
Simon Murray	150	–	–	–	–	–	–	150
V-Nee Yeh	150	–	–	–	–	–	–	150
Thaddeus Thomas Beczak	150	–	–	–	–	–	–	150
Lim Ghee Keong	–	–	–	–	–	–	–	–
	750	4,901	100	497	489	555	695	7,987

10 Directors' and Senior Management's Emoluments (cont'd)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments, three (2008: three) were directors whose emoluments are disclosed in note (a) above. The highest emoluments payable to the remaining two (2008: two) individuals during the year is as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	1,728	1,728
Discretionary bonus	453	1,449
Year end bonus	144	144
Retirement Schemes contributions	150	150
	2,475	3,471

The emoluments of the two (2008: two) individuals with the highest emoluments are within the following band:

	Number of individuals	
Emoluments' band	2009	2008
HK$1,000,001 – HK$1,500,000	2	–
HK$1,500,001 – HK$2,000,000	–	2

The Group usually determines and pays discretionary bonuses to employees (including directors) around January/February each year based on the actual financial results of the Group for the preceding year. The discretionary bonuses shown above therefore represent actual payments to the employees (including directors) during the current financial year in relation to performance for the preceding year.

11 Retirement Schemes

The Group's contributions to the ORSO Scheme were reduced by contributions forfeited on those employees who left the ORSO Scheme prior to vesting fully in the contributions. Forfeited contributions totalling HK$174,000 (2008: HK$326,000) were fully utilised during the year.

Contributions of HK$306,000 (2008: HK$283,000) were payable to the Retirement Schemes at the year-end.

12 Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

Taxation in the consolidated statement of comprehensive income represents:

	2009 HK$'000	2008 HK$'000
Current income tax		
– Hong Kong profits tax	43	126
– Overseas taxation	1,023	941
– Under-provision of overseas taxation in prior years	748	–
Deferred income tax (note 30)	37	1,012
	1,851	2,079

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2009 HK$'000	2008 HK$'000
Profit before income tax	3,043	23,992
Calculated at a taxation rate of 16.5% (2008: 16.5%)	502	3,959
Effect of different taxation rates in other countries	789	351
Income not subject to tax	(26)	(106)
Expenses not deductible for tax purposes	321	429
Tax loss for which no deferred income tax asset was recognised	631	1,574
Utilisation of previously unrecognised tax losses	(1,151)	(5,140)
Recognition of previously unrecognised temporary differences	37	24
Remeasurement of deferred tax – change in Hong Kong tax rate	–	(12)
Adjustment in respect of prior years	748	–
Utilisation of previously recognised tax losses	–	1,000
Income tax expense	1,851	2,079

13 Unconsolidated Profit Attributable to Shareholders

The profit of the company attributable to shareholders was HK$12,526,000 (2008: HK$12,600,000) (note 29).

14 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of HK$1,192,000 (2008: HK$21,913,000) and the weighted average number of 225,440,658 (2008: 225,296,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the Group's profit attributable to ordinary shareholders of HK$1,192,000 (2008: HK$21,913,000) and the weighted average number of 231,164,511 (2008: 231,374,000) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

(c) Reconciliation

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**225,440,658**	225,296,000
Deemed issue of ordinary shares relating to share options	**5,723,853**	6,078,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	**231,164,511**	231,374,000

15 Proposed Dividend

A dividend in respect of the year ended 31 December 2009 of HK$0.055 per share, amounting to a total dividend of HK$12,424,000, is proposed on 24 March 2010, which is subject to approval at the Annual General Meeting to be held on 13 May 2010. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2009.

A dividend that relates to the year ended 31 December 2008 and amounts to HK$12,402,000 was paid in May 2009.

	2009 HK$'000	2008 HK$'000
Proposed final dividend of HK$0.055 (2008: HK$0.055) per ordinary share	**12,424**	12,391

16 Investment Property

	The Group 2009 HK$'000	2008 HK$'000
At 1 January	**3,341**	9,850
Disposal	**–**	(6,509)
Transfer to investment property held for sale (note 21)	**(3,341)**	–
At 31 December	**–**	3,341

The investment property is held under long-term leases and is situated in the People's Republic of China ("PRC"). The investment property was revalued as at 31 December 2008 on the basis of its open market value by DTZ Debenham Tie Leung Ltd, an independent firm of qualified property valuers.

The Group's interest in investment property at its net book value is analysed as follows:

	The Group 2009 HK$'000	2008 HK$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**–**	3,341

During the year 2008, the Group disposed of an investment property in Shanghai and a gain of HK$94,000 was credited to the consolidated statement of comprehensive income.

	The Group 2008 HK$'000
Net book value of investment property held for sale	6,509
Add: Gain on disposal of an investment property	94
Net cash consideration	6,603

17 Property, Plant and Equipment

The Group	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2008						
Cost	45,534	16,512	31,164	17,849	1,448	112,507
Accumulated depreciation	(9,509)	(15,538)	(28,705)	(13,971)	(977)	(68,700)
Net book value	36,025	974	2,459	3,878	471	43,807
Year ended 31 December 2008						
Opening net book value	36,025	974	2,459	3,878	471	43,807
Additions	–	259	8,738	774	–	9,771
Depreciation	(894)	(577)	(1,310)	(745)	(280)	(3,806)
Disposals	–	–	(3)	–	–	(3)
Closing net book value	35,131	656	9,884	3,907	191	49,769
At 31 December 2008						
Cost	45,534	16,771	39,786	18,612	1,448	122,151
Accumulated depreciation	(10,403)	(16,115)	(29,902)	(14,705)	(1,257)	(72,382)
Net book value	35,131	656	9,884	3,907	191	49,769
Year ended 31 December 2009						
Opening net book value	**35,131**	**656**	**9,884**	**3,907**	**191**	**49,769**
Additions	**456**	**784**	**799**	**132**	**–**	**2,171**
Depreciation	**(925)**	**(419)**	**(2,701)**	**(692)**	**(110)**	**(4,847)**
Disposals	**–**	**–**	**(26)**	**–**	**–**	**(26)**
Closing net book value	**34,662**	**1,021**	**7,956**	**3,347**	**81**	**47,067**
At 31 December 2009						
Cost	**45,990**	**17,555**	**40,559**	**18,744**	**1,448**	**124,296**
Accumulated depreciation	**(11,328)**	**(16,534)**	**(32,603)**	**(15,397)**	**(1,367)**	**(77,229)**
Net book value	**34,662**	**1,021**	**7,956**	**3,347**	**81**	**47,067**

All property, plant and equipment at 31 December 2009 and 31 December 2008 of the Group is stated at cost.

18 Lease Prepayments

The Group's lease prepayments represent interests in leasehold land and land use rights under operating lease and their net book values are analysed as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**42,725**	43,687
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**4,064**	4,150
	46,789	47,837

	The Group	
	2009	2008
	HK$'000	HK$'000
Net book value at 1 January	**47,837**	48,886
Amortisation	**(1,048)**	(1,049)
Net book value at 31 December	**46,789**	47,837

At 31 December 2009, a property held by a subsidiary of the Group was pledged to a bank to obtain banking facilities, including issue of shipping guarantee, trust receipt loan, purchase of export bills and opening of documentary credits:

	The Group	
	2009	2008
	HK$'000	HK$'000
Lease prepayments	**39,799**	40,683
Leasehold building	**8,030**	8,273
Net book value of property charged to a bank to obtain banking facilities	**47,829**	48,956

19 Investments in Subsidiaries and Amount Due from a Subsidiary

	The Company 2009 HK$'000	2008 HK$'000
Investments, at cost	**89,288**	88,834
Advance to a subsidiary	**105,015**	105,015
	194,303	193,849

The advance to a subsidiary is unsecured, interest free, has no fixed terms or repayment and is stated at cost.

The amount due from a subsidiary are unsecured, interest free, and repayable on demand. The carrying amount approximates its fair value and is denominated in Hong Kong dollars.

The following is a list of the principal subsidiaries as at 31 December 2009:

Name of company	Place of incorporation/ operations	Group equity interest held by The Company %	Group equity interest held by Subsidiaries %	Issued and paid up ordinary share capital	Principal activities
Anagram Company Limited	British Virgin Islands	–	100	US$1	Investment holding
Arnhold & Company, Limited	Hong Kong	–	100	HK$20,000,000	Trading and engineering
Arnhold & Company (Shanghai) Limited*	Shanghai	–	100	US$200,000	Trading
Arnhold (B.V.I.) Limited	British Virgin Islands/ Hong Kong	100	–	US$1,000	Investment holding
Arnhold China Limited	Hong Kong	–	100	HK$2	Inactive
Arnhold Design Centres Limited	Hong Kong	–	100	HK$2	Retailing
Arnhold Investments Limited	Hong Kong	–	100	Ordinary HK$1 Non-voting deferred HK$1,000,000	Investment holding

19 Investments in Subsidiaries and Amount Due from a Subsidiary (cont'd)

Name of company	Place of incorporation/ operations	Group equity interest held by The Company %	Group equity interest held by Subsidiaries %	Issued and paid up ordinary share capital	Principal activities
Arnhold (Macau) Limited	Macau	–	100	MOP25,000	Trading of construction materials
Arnhold Marble China Limited	Hong Kong	–	100	HK$12	Trading and management services
Arnhold Marble Limited	Hong Kong	–	100	HK$2	Design and supply of natural stones
Arnhold Properties (B.V.I.) Limited	British Virgin Islands/ Hong Kong	–	100	US$1	Property holding
Bain d'Or Building Materials Limited	Hong Kong	–	100	HK$2	Inactive
Bain d'Or Inc.	USA	–	100	US$2,000	Inactive
Bain d'Or Trading Limited	Hong Kong	–	100	HK$1	Inactive
Dongguan Arnhold Marble Limited*	Dongguan	–	100	RMB17,546,951	Natural stones processing
Grandful Limited	Hong Kong	–	100	HK$2	Property investment
Palatial Properties Limited	British Virgin Islands/ Hong Kong	–	100	US$1	Property holding
Arnhold Sourcing Limited	Hong Kong	–	100	HK$1	Trading and export of building materials

19 Investments in Subsidiaries and Amount Due from a Subsidiary (cont'd)

Name of company	Place of incorporation/ operations	Group equity interest held by The Company %	Group equity interest held by Subsidiaries %	Issued and paid up ordinary share capital	Principal activities
Elements Mosaics Designs Limited	Hong Kong	–	100	HK$2	Inactive
European Design Concept Limited	Hong Kong	–	100	HK$1	Trading of construction materials
AHL Services Limited	Hong Kong	–	100	HK$1	Services for supply and installation of marble
AHL Stone Limited	British Virgin Islands/ Hong Kong	–	100	US$1	Trading and export of marble product
上海鋑麗貿易有限公司*	Shanghai	–	100	RMB 500,000	Retailing

* Wholly-owned foreign enterprise, which is incorporated in Mainland China and is a limited liability company.

20 Available-for-sale financial assets

	The Group 2009 HK$'000	The Group 2008 HK$'000
At 1 January	**2,787**	3,159
Net surplus/(deficit) transferred to reserves (note 29)	**88**	(372)
At 31 December	**2,875**	2,787

Available-for-sale financial assets represent the unlisted club debentures held by the Group, and are stated at fair value at year ended 31 December 2009.

21 Investment Property Held for Sale

	The Group 2009 HK$'000
At 1 January	
Transfer from investment property (note 16)	**3,341**
Less: Fair value loss on investment property held for sale	**(660)**
At 31 December	**2,681**

During the year, the Group entered into an agreement to dispose of its investment property in Shanghai, the PRC. At 31 December 2009, the investment property was revalued based on the sales price as indicated in the sales and purchase agreement made (note 35).

22 Inventories

	The Group	
	2009 HK$'000	2008 HK$'000
Merchandise	**8,569**	9,947
Consumable inventories	**4,174**	4,477
Raw materials	**3,155**	5,824
Work in progress	**4,046**	6,067
Finished goods	**1,024**	1,070
	20,968	27,385

The cost of inventories recognised as expense and included in cost of sales amounted to HK$279,465,000 (2008: HK$312,161,000). The Group has not reversed any past balance of a previous write-down value in 2009 (2008: Nil).

23 Trade and Other Receivables

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**78,586**	93,454	**–**	–
Retention receivables	**6,353**	5,853	**–**	–
Gross trade and retention receivables	**84,939**	99,307	**–**	–
Less: provision for impairment of receivables	**(991)**	(1,368)	**–**	–
Net trade and retention receivables	**83,948**	97,939	**–**	–
Prepayments and other receivables	**6,745**	9,069	**264**	250
	90,693	107,008	**264**	250

The carrying amounts of trade and other receivables approximate their fair values. The Group normally allows a credit period ranging from 30 to 90 days. Debtors with balances that are long overdue are normally requested to settle all outstanding balances before any further credit is granted.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The aging analysis of trade and retention receivables, net of provisions, is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Current	**53,287**	58,955
One to three months overdue	**25,213**	33,947
Three to twelve months overdue	**3,404**	2,646
Overdue more than twelve months	**2,044**	2,391
Net trade and retention receivables	**83,948**	97,939

23 Trade and Other Receivables (cont'd)

The trade and retention receivables include in the above aging are considered not impaired as these relate to a number of independent customers for whom there is no recent history of default. All the impaired overdue trade and retention receivables have been provided for. As at 31 December 2009, trade and retention receivables of HK$991,000 (2008: HK$1,368,000) were impaired and provided for.

Movements on the provision for impairment of trade receivables are as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
At 1 January	**1,368**	1,368
Provision for receivable impairment	**–**	376
Receivables written off during the year as uncollectible	**(208)**	–
Unused amounts reversed	**(169)**	(376)
At 31 December	**991**	1,368

As at 31 December 2008 and 2009, other than the trade and retention receivables as disclosed above, all other classes within trade and other receivables do not contain impaired assets.

The carrying amounts of the Group's trade and retention receivables are denominated in the following currencies:

	The Group	
	2009	2008
	HK$'000	HK$'000
HKD	**58,867**	60,951
RMB	**14,086**	17,496
MOP	**430**	5,037
USD	**9,919**	11,988
Other currencies	**1,637**	3,835
	84,939	99,307

24 Derivative Financial Instruments

	The Group	
	2009	2008
	HK$'000	HK$'000
Forward foreign exchange contracts – held for trading		
– Assets	**285**	371
– Liabilities	**(856)**	(4,413)

Trading derivatives are classified as current assets or liabilities.

The net fair value gain or loss on forward foreign exchange contracts as at 31 December 2008 and 2009 which are not qualified as hedges has been accounted for in the cost of sales in the consolidated statement of comprehensive income.

Details of the outstanding forward foreign contracts held by the Group as at 31 December 2009 are disclosed in note 33(b). These contracts expire through 2010.

25 Cash and cash equivalents

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK'000
Bank deposits with original maturity of three months or less	**69,299**	35,969	**–**	–
Cash at bank and in hand	**28,276**	41,139	**474**	234
	97,575	77,108	**474**	234

The effective interest rate on short-term bank deposits is ranging from 0.01% to 1.71% (2008: ranging from 0.15% to 2.88%). These deposits have an average maturity of 43 days (2008: 49 days).

25 Cash and cash equivalents (cont'd)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	The Group	
	2009	2008
	HK$'000	HK$'000
HKD	**43,702**	24,398
RMB	**15,805**	25,539
EUR	**3,853**	1,291
USD	**34,186**	25,462
Other currencies	**29**	418
	97,575	77,108

26 Trade and other payables

	The Group		The Company	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills payables	**45,330**	44,259	**–**	–
Accruals and other payables	**29,357**	27,044	**256**	203
Advances received from customers	**11,354**	7,643	**–**	–
	86,041	78,946	**256**	203

All of the above trade and other payables are expected to be settled within one year.

The carrying amounts of trade and other payables approximate their fair values.

26 Trade and other payables (cont'd)

The aging analysis of trade and other payables (which include trade and bills payables) is as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Current	**37,281**	30,300
One to three months overdue	**5,871**	11,857
Overdue more than three months	**2,178**	2,102
Total trade and bills payables	**45,330**	44,259
Accruals and other payables	**29,357**	27,044
Advances received from customers	**11,354**	7,643
	86,041	78,946

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	The Group	
	2009	2008
	HK$'000	HK$'000
HKD	**7,097**	5,593
RMB	**1,105**	4,293
EUR	**12,358**	14,145
USD	**24,604**	18,963
Other currencies	**166**	1,265
	45,330	44,259

27 Provisions

	Long service payments HK$'000	Employee leave entitlements HK$'000	Total HK$'000
At 1 January 2009	1,028	1,347	2,375
Additional provisions	(349)	1,446	1,097
Less: Amounts utilised	–	(1,177)	(1,177)
Charged to consolidated statement of comprehensive income	(349)	269	(80)
Less: Amounts settled	(9)	(131)	(140)
Net effect on provisions	(358)	138	(220)
At 31 December 2009	**670**	**1,485**	**2,155**

28 Share capital

Ordinary shares of HK$0.10 each	Authorised Number of shares	Issued and fully paid Number of shares	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2008 and at 31 December 2008	800,000,000	225,296,000	22,530	92,709	115,239
Employees share option scheme					
– proceeds from shares issued	–	600,000	60	240	300
At 31 December 2009	**800,000,000**	**225,896,000**	**22,590**	**92,949**	**115,539**

A Share Option Scheme ("the Scheme") was approved and adopted by the shareholders at a special general meeting of the Company on 11 July 2002 under which the Board may, at its discretion, invite Eligible Persons to take up options to subscribe for shares of the Company.

28 Share capital (cont'd)

Details of options granted to directors and employees under the Scheme were as follows:

Date of options granted	Outstanding options as at 1 January 2009	Granted during the year	Exercised/ lapsed/cancelled during the year	Outstanding options as at 31 December 2009	Subscription price per share HK$
18 September 2003	**2,900,000**	**–**	**(600,000)**	**2,300,000**	0.500
19 November 2004	**3,700,000**	**–**	**–**	**3,700,000**	0.602
21 November 2005	**4,500,000**	**–**	**–**	**4,500,000**	0.700
02 January 2008	**1,600,000**	**–**	**–**	**1,600,000**	1.490
	12,700,000	**–**	**(600,000)**	**12,100,000**	

Date of options granted	Outstanding options as at 1 January 2008	Granted during the year	Exercised/ lapsed/cancelled during the year	Outstanding options as at 31 December 2008	Subscription price per share HK$
18 September 2003	2,900,000	–	–	2,900,000	0.500
19 November 2004	3,700,000	–	–	3,700,000	0.602
21 November 2005	4,500,000	–	–	4,500,000	0.700
02 January 2008	–	1,600,000	–	1,600,000	1.490
	11,100,000	1,600,000	–	12,700,000	

Based on the binomial option pricing model, the fair value of the Options granted on 18 September 2003, 19 November 2004, 21 November 2005 and 2 January 2008 are HK$0.248, HK$0.141, HK$0.180 and HK$0.680 respectively. However, since the valuation relies on subjective assumptions such as the estimated volatility of the Share price, the binomial option pricing model does not necessarily provide a reliable measure of the fair value of the Options. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

28 Share capital (cont'd)

The weighted average assumptions used are as follows:

	Options granted on			
	2 January 2008	21 November 2005	19 November 2004	18 September 2003
Risk free interest rate (in %)	2.7	4.4	2.8	3.8
Expected life (in years)	4.5	5.0	6.0	6.9
Volatility (in %)	65.4	51.2	49.2	77.5
Expected dividend per share (HK cents)	4.4	4.4	4.4	4.4

At the date before the options were granted, 17 September 2003, 18 November 2004, 20 November 2005 and 31 December 2007, the market value per share were HK$0.500, HK$0.602, HK$0.700 and HK$1.490 respectively.

The Options granted on 18 September 2003 can be exercised in two instalments, 50% at any time between 1 September 2005 and 30 August 2010 and 50% at any time between 1 September 2006 and 30 August 2010.

The Options granted on 19 November 2004 can be exercised in two instalments, 50% at any time between 1 November 2006 and 30 August 2010 and 50% at any time between 1 November 2007 and 30 August 2010.

The Options granted on 21 November 2005 can be exercised in two instalments, 50% at any time between 1 November 2007 and 30 August 2010 and 50% at any time between 1 November 2008 and 30 August 2010.

The Options granted on 2 January 2008 can be exercised in two instalments, 50% of which at any time between 2 January 2010 and 10 July 2012 and the remaining 50% at any time between 2 January 2011 and 10 July 2012.

29 Reserves

The Group	Contributed surplus HK$'000	Retained earnings HK$'000	Total distributable reserves HK$'000	Share premium HK$'000	Available-for-sale investment reserve HK$'000	Employee share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2008	808	98,273	99,081	92,709	996	2,135	194,921
Profit attributable to shareholders	–	21,913	21,913	–	–	–	21,913
Dividend relating to 2007 and paid in May 2008	–	(9,913)	(9,913)	–	–	–	(9,913)
Employee share-based compensation benefits	–	–	–	–	–	568	568
Deficit on revaluation	–	–	–	–	(372)	–	(372)
At 31 December 2008	808	110,273	111,081	92,709	624	2,703	207,117
Representing:							
2008 Proposed final dividend		12,391					
Others		97,882					
Retained earnings as at 31 December 2008		110,273					
At 1 January 2009	808	110,273	111,081	92,709	624	2,703	207,117
Profit attributable to shareholders	–	1,192	1,192	–	–	–	1,192
Dividend relating to 2008 and paid in May 2009	–	(12,402)	(12,402)	–	–	–	(12,402)
Employee share-based compensation benefits	–	–	–	–	–	453	453
Employee share option scheme:							
Issuance of ordinary shares	–	–	–	240	–	–	240
Transfer among reserves	–	149	149	–	–	(149)	–
Surplus on revaluation	–	–	–	–	88	–	88
At 31 December 2009	**808**	**99,212**	**100,020**	**92,949**	**712**	**3,007**	**196,688**
Representing:							
2009 Proposed final dividend		12,424					
Others		86,788					
Retained earnings as at 31 December 2009		**99,212**					

29 Reserves (cont'd)

The Company	Contributed surplus HK$'000	Retained earnings HK$'000	Total distributable reserves HK$'000	Share premium HK$'000	Employee Share-based compensation reserve HK$'000	Total HK$'000
At 1 January 2008	75,067	11,434	86,501	92,709	–	179,210
Profit for the year	–	12,600	12,600	–	–	12,600
Dividend relating to 2007 and paid in May 2008	–	(9,913)	(9,913)	–	–	(9,913)
Employee share-based compensation benefits	–	–	–	–	2,703	2,703
At 31 December 2008	75,067	14,121	89,188	92,709	2,703	184,600
Representing:						
2008 Proposed final dividend		12,391				
Others		1,730				
Retained earnings as at 31 December 2008		14,121				
At 1 January 2009	75,067	14,121	89,188	92,709	2,703	184,600
Profit for the year	–	12,526	12,526	–	–	12,526
Dividend relating to 2008 and paid in May 2009	–	(12,402)	(12,402)	–	–	(12,402)
Employee share option scheme:						
Issuance of ordinary shares	–	–	–	240	–	240
Transfer among reserves	–	149	149	–	(149)	–
Employee share-based compensation benefits	–	–	–	–	453	453
At 31 December 2009	**75,067**	**14,394**	**89,461**	**92,949**	**3,007**	**185,417**
Representing:						
2009 Proposed final dividend		12,424				
Others		1,970				
Retained earnings as at 31 December 2009		**14,394**				

29 Reserves (cont'd)

The distributable reserves of the Company at 31 December 2009, under the Companies Act 1981 of Bermuda, amounted to HK$89,461,000 (2008: HK$89,188,000).

The contributed surplus of the Group represents the excess of the nominal value of the shares of Arnhold (B.V.I.) Limited and the nominal value of the deferred shares of Arnhold Investments Limited acquired over the nominal value of the Company's shares issued in exchange therefore pursuant to the Group's re-organisation in December 1993.

The contributed surplus of the Company represents the undistributed excess of the net assets of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefore pursuant to the Group's reorganisation in December 1993. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable.

30 Deferred income tax

Deferred income tax has been calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2008: 16.5%).

The movement of the deferred income tax assets/(liabilities) during the year is as follows:

	Tax loss HK$'000	Accelerated depreciation allowance HK$'000	Total HK$'000
At 1 January 2008	1,000	(214)	786
Deferred income tax debited to the consolidated statement of comprehensive income (note 12)	(1,000)	(12)	(1,012)
At 31 December 2008	–	(226)	(226)
Deferred income tax debited to the consolidated statement of comprehensive income (note 12)	–	(37)	(37)
At 31 December 2009	**–**	**(263)**	**(263)**

30 Deferred income tax (cont'd)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated balance sheet include the following:

	The Group	
	2009	2008
	HK$'000	HK$'000
Deferred income tax liabilities to be settled after more than 12 months	**(263)**	(226)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$1,371,000 (2008: HK$2,002,000) in respect of losses amounting to HK$8,311,000 (2008: HK$12,131,000) that can be carried forward against future taxable income indefinitely.

31 Financial Instruments by Category

Group	Loans and receivables/ financial liabilities HK$'000	At fair value through profit and loss HK$'000	Available-for-sale HK$'000	Total HK$'000
Assets as per consolidated balance sheet				
31 December 2009				
Available-for-sale financial assets (note 20)	**–**	**–**	**2,875**	**2,875**
Derivative financial instruments (note 24)	**–**	**285**	**–**	**285**
Trade and retention receivables (note 23)	**84,939**	**–**	**–**	**84,939**
Cash and cash equivalents (note 25)	**97,575**	**–**	**–**	**97,575**
Total	**182,514**	**285**	**2,875**	**185,674**
Assets as per consolidated balance sheet				
31 December 2008				
Available-for-sale financial assets (note 20)	–	–	2,787	2,787
Derivative financial instruments (note 24)	–	371	–	371
Trade and retention receivables (note 23)	99,307	–	–	99,307
Cash and cash equivalents (note 25)	77,108	–	–	77,108
Total	176,415	371	2,787	179,573

31 Financial Instruments by Category (cont'd)

Group	Loans and receivables/ financial liabilities HK$'000	At fair value through profit and loss HK$'000	Available-for-sale HK$'000	Total HK$'000
Liabilities as per consolidated balance sheet				
31 December 2009				
Trade and bill payables (note 26)	**45,330**	**–**	**–**	**45,330**
Derivative financial instruments (note 24)	**–**	**856**	**–**	**856**
Total	**45,330**	**856**	**–**	**46,186**
Liabilities as per consolidated balance sheet				
31 December 2008				
Trade and bill payables (note 26)	44,259	–	–	44,259
Derivative financial instruments (note 24)	–	4,413	–	4,413
Total	44,259	4,413	–	48,672

Company	Loans and receivables HK$'000
Assets as per balance sheet	
31 December 2009	
Amount due from a subsidiary (note 19)	**13,222**
Cash and cash equivalents (note 25)	**474**
Total	**13,696**
Assets as per balance sheet	
31 December 2008	
Amount due from a subsidiary (note 19)	13,000
Cash and cash equivalents (note 25)	234
Total	13,234

32 Contingent Liabilities

(a) At 31 December 2009, there were contingent liabilities in respect of the following:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for credit facilities granted by a bank on behalf of subsidiaries	**–**	–	**279,000**	279,000

(b) Certain subsidiaries have given undertakings to banks that they will perform certain contractual financial obligations to third parties. In return, the banks have provided performance bonds and letters of guarantee to third parties on behalf of these subsidiaries. As at 31 December 2009, the amount of guarantees outstanding was HK$4,743,000 (2008: HK$4,458,000).

33 Commitments

(a) Commitments under operating lease

The Group leases various retail outlets and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

At 31 December 2009, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Land and buildings		
– Not later than one year	**3,260**	4,460
– Later than one year and not later than five years	**1,144**	3,042
	4,404	7,502

The Company leases land and buildings under various agreements which terminate between 2010 to 2011. The agreements do not include an extension option.

(b) Forward exchange contracts

At 31 December 2009, the Group had outstanding forward exchange contracts to buy EUR3,997,000 (2008: EUR4,562,000) at various rates totaling approximately HK$45,127,000 (2008: HK$53,405,000); to buy JPY32,433,000 (2008: JPY11,024,000) at various rates totaling approximately HK$2,819,000 (2008: HK$911,000).

33 Commitments (cont'd)

(b) Forward exchange contracts (cont'd)

At 31 December 2008, the Group had outstanding forward exchange contracts to buy GBP165,000 at various rates totaling approximately HK$2,229,000; and to buy US$1,376,000 at various rates totaling approximately HK$10,660,000.

34 Related Party Transactions

The directors regard the Michael Green Family Trust, which owns 73.53% in the Company's shares, to be the controlling party of the Company.

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2009 HK$'000	2008 HK$'000
Purchases of goods and services		
Professional fees paid to related party	**75**	43
Key management compensation		
Salaries and other emoluments	**5,860**	5,477
Discretionary bonus	**20**	100
Year end bonus	**497**	497
Retirement Schemes contributions	**489**	489
Employee share-based compensation benefits	**453**	555

Professional fees of HK$75,000 (2008: HK$43,000) were paid to a firm in which a non-executive director is a partner.

It is the intention of the directors of the Company that the Group will continue its business relationships with related parties under similar bases as adopted in previous years. In the opinion of the directors of the Company, the transactions with the related companies were carried out in the ordinary course of business on normal commercial terms.

35 Events after Balance Sheet Date

During the year, the Group entered into an agreement to dispose of its investment property in Shanghai, the PRC, for a consideration of HK$2,681,000. At 31 December 2009, the investment property was revalued based on this consideration giving rise to a fair value loss of HK$660,000 which was charged to the consolidated statement of comprehensive income. The transaction was completed in March 2010.

(I) Five-year Financial Summary

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009** **HK$'000**
Results					
Turnover	292,438	297,550	387,904	418,221	**364,089**
Operating profit	584	2,536	16,727	22,579	**2,734**
Finance income	1,364	1,750	1,540	1,506	**320**
Finance costs	(23)	(196)	(146)	(93)	**(11)**
Share of loss of associates	–	(1,767)	(1,101)	–	**–**
Profit before income tax	1,925	2,323	17,020	23,992	**3,043**
Income tax expenses	(301)	(182)	(215)	(2,079)	**(1,851)**
Profit attributable to shareholders	1,624	2,141	16,805	21,913	**1,192**
Proposed dividend	–	–	9,913	12,391	**12,424**
Assets and liabilities					
Total assets	268,216	267,889	324,514	315,607	**308,933**
Total liabilities	(72,476)	(68,870)	(107,063)	(85,960)	**(89,655)**
Shareholders' funds	195,740	199,019	217,451	229,647	**219,278**

(II) Schedule of Principal Properties

Leasehold land and buildings

	Address	Use	Gross floor area	Term of lease	Attributable interest of the Group
(a)	Unit B on 6/F, Portion of Flat roof on 1/F, and car parking spaces nos. 58, 59, 60, 61 and 62 on 3/F, Victoria Centre, 15 Watson Road, North Point, Hong Kong	Office premises	1,678 square meters	75 years expiring in 2054	100%
(b)	5/F, Block A and car parking space No. L11 on 1/F, Kerry BCI Godown Centre, 3 Kin Chuen Street, Kwai Chung, New Territories, Hong Kong	Godown	2,548 square meters	58 years expiring in 2047	100%
(c)	Yaoshan Village, Xiegang Town, Dongguan City, Guangdong Province, The People's Republic of China	Factory	30,000 square meters	50 years expiring in 2055	100%