Dynamic Global Holdings Limited

(incorporated in Bermuda with limited liability)
(Stock code : 00231)

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Zhang Guodong
Mr. Zhong Guoxing

Non-executive Director:

Ms. Liang Huixin

Independent Non-executive Directors:

Dr. Dong Ansheng
Mr. Hung Hing Man

AUDIT COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Hung Hing Man

REMUNERATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Zhong Guoxing
Mr. Hung Hing Man

NOMINATION COMMITTEE

Dr. Dong Ansheng *(Committee Chairman)*
Mr. Zhong Guoxing
Mr. Hung Hing Man

AUTHORISED REPRESENTATIVES

Mr. Zhong Guoxing
Mr. Chan Kwan Pak

COMPANY SECRETARY

Mr. Chan Kwan Pak

AUDITORS

SHINEWING (HK) CPA Limited
16/F, United Centre
95 Queensway
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co. Ltd. (Hong Kong Branch)

PRINCIPAL REGISTRARS AND TRANSFER OFFICES

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 2212 – 2217, 22/F
The Metropolis Tower
10 Metropolis Drive
Hunghom
Kowloon
Hong Kong

WEBSITE

www.dgholdings.com.hk

STOCK CODE

00231

MESSAGE FROM EXECUTIVE DIRECTOR

On behalf of the board of directors ("the Directors") of Dynamic Global Holdings Limited ("the Company") and its subsidiaries (together "the Group"), I would like to present to the shareholders of the Company the annual report for the year ended 31 December 2009.

RESULTS

The Group recorded an audited consolidated turnover of HK$22,568,000 (2008: HK$66,114,000), representing a drop of 66%, and net loss of HK$18,170,000 (2008: HK$25,895,000), representing a drop of 30%, respectively, for the year ended 31 December 2009.

BUSINESS REVIEW

During the year under review, the Company's principal activity continued to be investment holding, whilst rental income from investment properties continued to be the main profit contributor to the Group.

The completion of the Company's acquisition of the remaining 30% interests in Harbin Dynamic Global Property Company Limited ("HDGP") during the year enabled the Group to completely control over the business performance of HDGP and enhance its contribution of profit to the Group without deduction of minority interests. The rental income from the Harbin Commercial Building, HDGP's main asset, accounted for 73% of the total turnover of the Group in the year under review and a revaluation gain was recorded from the Harbin Commercial Building.

With the completion of acquisition of Zhuhai City Xiang Quan Hotel Company Limited (珠海市香泉酒店有限公司) in Zhuhai City, Guangdong Province during the year and through the arrangement of granting the hotel operation rights to the contractor of Xiang Quan Hotel, the Group has started receiving royalty fee, which accounted for 17% of the total turnover of the Group in the year under review. 320,837,000 new shares were issued during the year under review as part of the consideration of the Xiang Quan acquisition and the capital base was thus enhanced.

Our wine trading business in mainland China which was started in 2008 did not turn out to be a good attempt and was thus terminated during the year under review.

PROSPECTS AND OUTLOOK

Looking forward, 2010 will be a year of milestone for the Group. Following the passing of a resolution by the shareholders of the Company on 16 April 2010, the Company will formally change its name to "Madex International (Holdings) Limited" and adopt "盛明國際（控股）有限公司" as its secondary name after the necessary registration and filing procedures are finished and will hence have a fresh corporate image. The Group will also move in a self-owned office premises soon. We believe that these positive moves will booster our staff morale and the confidence of our investors and business partners.

It is also our firm belief that the global economic recovery will continue taking advantage of the loose monetary policy and low interest rate environment, and thus we may enjoy a better business environment in 2010 than in 2009.

In the foreseeable future, we will remain focused on our core business of property investment in the mainland China. However, we will keep an eye on potential investment opportunities which can improve our long-term performance.

MESSAGE FROM EXECUTIVE DIRECTOR

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS

As at 31 December 2009, the Group's current assets and current liabilities were HK$76,819,000 and HK$79,257,000 respectively. The total secured bank loans amounted to HK$97,362,000.

As at 31 December 2009, main charges on assets of the Group include bank balances of HK$3,258,000 and investment properties of HK$331,066,000.

As at 31 December 2009, capital commitments represented the purchase of office premise amounting to HK$30,757,000.

The Group's gearing ratio as at 31 December 2009 was 46%, which is calculated on the Group's total liabilities divided by its total assets.

FOREIGN EXCHANGE RISK

The Group's operations are principally in mainland China and all assets and liabilities are denominated either in Renminbi or Hong Kong dollars. The Directors considers that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

Subsequent to 31 December 2009, the Group received a legal letter from an independent third party for claims of rights under a past distribution contract. Based on the latest circumstances and legal advice obtained, the directors will prepare defence actions in relation to the claims. In the opinion of directors, the Group had a valid and strong ground for defence and will not suffer material financial losses arising from litigation, if any. Accordingly, no provision for any claim amount and other costs were made as at 31 December 2009 for consolidated financial statement purpose.

EMPLOYEES AND REMUNERATION POLICIES

The Group has a total of approximately 50 employees, who are remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training is provided to staff from time to time. The Group currently does not have any share option scheme for employees.

APPRECIATION

On behalf of the Board, I would like to express our gratitude to the management and staff for their valuable contribution and dedication in the past year. We would also like to thank our shareholders, investors, customers and business partners for their continued support and confidence.

Zhong Guoxing
Executive Director

Hong Kong, 16 April 2010

EXECUTIVE DIRECTORS

Mr. Zhang Guodong, aged 33, has been an Executive Director of the Company since 1 March 2009. Mr. Zhang holds a Bachelor's degree in Accountancy. He is a certified accountant in the PRC. He is now studying for a Master's degree in Accountancy (MPAcc). Mr. Zhang had worked as a project manager respectively in Beijing and Zhuhai BDO Certified Public Accountants, as well as a department manager in BDO Shenzhen Dahua Tiancheng Certified Public Accountants, and was mainly responsible for financial audit and advisory as well as tax planning work relating to companies listed in the PRC and overseas. He was then appointed as the financial controller of Daxin Trading (Shanghai) Company Limited (大辛貿易（上海）有限公司) and Shanghai Renwu Enterprise and Investment Company Limited (上海潤物實業投資有限公司) respectively. Mr. Zhang is well versed in the PRC and international accounting standards, rules and regulations and has profound knowledge in finance.

Mr. Zhong Guoxing, aged 43, has been an Executive Director of the Company since 11 August 2009. Mr. Zhong was graduated from the Hunan University, majoring in Manufacturing Accounting and holds a Master's Degree in Business Administration from the Asia International Open University (Macau). Mr. Zhong had been a manager of Zhuhai Branch, Bank of China (中國銀行珠海市分行) and assistant general manager of Guangzhou Branch, China Oriental Asset Management Company (中國東方資產管理公司). He had also been the managing director respectively of Zhuhai International Finance Building (Group) Company (珠海國際金融大廈（集團）公司) and Zhuhai Hongwan Combined Cycle Generation Company Limited (珠海洪灣燃機發電有限公司), Zhuhai Yuhua Polyester Company Limited (珠海裕華聚脂有限公司) as well as the general manager of Oriental Polytec Asset Management Company Limited (東方保利達資產管理有限公司).

NON-EXECUTIVE DIRECTOR

Ms. Liang Huixin, aged 24, has been an Non-executive Director of the Company since 11 August 2009. Ms. Liang holds a Bachelor of Science Degree in Economics and in Political Science from the University of Oregon, the United States. She had served in the banking sector in Singapore before. She has been the managing director of Shanghai Madex Business Management Company, Limited (上海盛鑫商業管理有限公司) since 2008. Ms. Liang is a daughter of Mr. Liang Wenguan, the controlling shareholder of the Company.

BIOGRAPHIES OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Dong Ansheng, aged 58, has been an Independent Non-executive Director of the Company since 6 January 2006. Dr. Dong holds a Bachelor of Laws degree from the Political and Law Sciences School of Chinese Northwestern College（西北政法學院）; and Master and Doctoral degrees in laws from the Law School of the Renmin University, China (中國人民大學). Dr. Dong is well versed in various areas of law and has been a lecturer in Mainland China, Hong Kong and Taiwan as well as a China law consultant to a number of companies in their listing exercise in mainland China and Hong Kong.

Dr. Dong is serving as an independent non-executive director of Beijing Capital International Airport Corporation Limited (listed on the Hong Kong Stock Exchange), Beijing Wangfujing Department Store (Group) Company, Limited (listed on the Shanghai Stock Exchange), BOE Technology Group Company, Limited (listed on the Shanghai Stock Exchange), and Sichuan Western Resources Company, Limited (listed on the Shanghai Stock Exchange). In the past three years, Dr. Dong had served as an independent non-executive director of Zhongjin Gold Company, Limited (listed on the Shenzhen Stock Exchange).

Mr. Hung Hing Man, aged 39, has been an Independent Non-executive Director of the Company since 23 September 2009. Mr. Hung holds a Master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Taxation Institute of Hong Kong and a member of the Society of Chinese Accountants and Auditors. Mr. Hung has over 13 years of working experience in the sectors of corporate finance, accounting, auditing and taxation and is currently a proprietor of a certified public accountants firm. Mr. Hung is serving as an independent non-executive director of Premium Land Limited (stock code: 164). In the past three years, Mr. Hung had served as an independent non-executive director of SMI Corporation Limited (stock code: 198). Both companies are listed on the main board of The Stock Exchange of Hong Kong Limited.

The board of directors ("Board") is committed to maintaining statutory and regulatory standards and adherence to the principles of corporate governance with emphasis on transparency, independence and accountability. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly tightened regulatory requirements.

The Code on Corporate Governance Practices ("CGP Code") issued by The Stock Exchange of Hong Kong Limited ("Stock Exchange") in its Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") sets out two levels of corporate governance practices, ie, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that listed companies are encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CGP Code, save for the deviations discussed below.

THE BOARD

The Board is responsible for guiding and leading the Company. The directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

The Board currently comprises two Executive Directors, one Non-executive Director and two Independent Non-executive Directors. The Board has established committees to oversee different areas of the Company's affairs. The composition of the Board and the committees are given below and their respective responsibilities are discussed in this report. The Board members have no financial, business, family or other material/relevant relationships with each other.

The numbers of Board Meetings and meetings of various committees attended by each Director during the year under review are set out in the following table. Figure in brackets indicates maximum number of meetings in the period in which the individual could attend as a Board member and member of various committees, as the case may be.

		Meetings Attended/(Held)			
	Note	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Directors					
Mr. Chen Jung Hsin	*1*	8/(8)	N/A	3/(3)	2/(2)
Mr. Li Wing Sum, Steven	*2*	4/(4)	N/A	N/A	N/A
Mr. Zhang Guodong	*3*	10/(11)	N/A	N/A	N/A
Mr. Zhong Guoxing	*4*	5/(5)	N/A	N/A	N/A
Non-executive Director					
Ms. Liang Huixin	*5*	2/(2)	N/A	N/A	N/A
Independent Non-executive Directors					
Dr. Dong Ansheng		11/(12)	2/(3)	4/(4)	2/(2)
Mr. Poon Chiu	*6*	3/(5)	1/(1)	1/(2)	0/(1)
Mr. Wu Fengchun	*7*	11/(12)	3/(3)	4/(4)	2/(2)
Mr. Hung Hing Man	*8*	2/(2)	N/A	0/(0)	1/(1)

Notes:

1. *Ceased to be CEO & Executive Director on 19 August 2009.*
2. *Retired as Executive Director on 30 June 2009.*
3. *Appointed as Executive Director on 1 March 2009.*
4. *Appointed as Executive Director on 11 August 2009.*
5. *Appointed as Non-executive Director on 11 August 2009.*
6. *Resigned as Independent Non-executive Director on 1 July 2009.*
7. *Resigned as Independent Non-executive Director on 19 March 2010.*
8. *Appointed as Independent Non-executive Director on 23 September 2009.*

Each of the Independent Non-executive Directors have confirmed in writing their independence from the Company in accordance with the guidelines on director independence of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

Biographical details of the Directors of the Company as at the date of this report are set out on pages 5 to 6 of this annual report. Given the composition of the Board and the skills, knowledge and expertise of the Director, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. Details of emoluments of the Directors from the Group for the year are disclosed in Note 13 to the financial statements.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

During the year under review, appointment of new Directors was considered upon recommendation by the Nomination Committee and approved by the Board by taking into account criteria such as expertise, experience, integrity and commitment.

In accordance with the Bye-laws of the Company ("Bye-laws"), all Directors (except the Chairman and/or Managing Director) are subject to retirement by rotation and re-election at annual general meetings of the Company. New Directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third of the Directors (excluding the Chairman and/or Managing Director), or, if their number is not a multiple of three, then the number nearest to but not exceeding one-third are required to retire from office.

The existing Bye-laws governing the retirement of Directors deviate from the CGP Code provisions in the following aspects: (i) unlike the other Directors, the Chairman and/or Managing Director is not subject to retirement by rotation; (ii) new Directors appointed to fill casual vacancies are subject to election by shareholders at the first annual general meeting instead of the first general meeting after their appointments; and (iii) the Directors who are subject to retirement by rotation are not explicitly subject to retirement at least once every three years. The Board may review the above-mentioned practice from time to time and consider amending the Bye-laws when necessary.

NON-COMPLIANCE WITH INDEPENDENT NON-EXECUTIVE DIRECTORS' MINIMUM NUMBER REQUIREMENT

During the year under review, the number of Independent Non-executive Directors of the Company had once fallen below three. The Company had subsequently appointed a new Independent Non-executive Director to meet the minimum number requirement set out under Rule 3.10(1) of the Listing Rules within three months. As at the date of this report, the number of Independent Non-executive Directors has fallen short by one. The Company will make an appointment to fill it as soon as possible.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the year under review, the Company had no chairman and has not filled up the position of the Chief Executive Officer since 19 August 2009. The decisions of the Company are made collectively by the Executive Directors.

TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS

Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently, all Independent Non-executive Directors have no specific term of office with the Company. All of them are subject to retirement by rotation in accordance with Company's Bye-laws. As such, the Company considers that sufficient measures have been taken to serve the purpose of this code provision.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors and is chaired by Dr. Dong Ansheng. The Committee is responsible for review of the Group's financial information and oversight of the Group's financial reporting system and internal control procedures. The Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, it has unrestricted access to personnel, records and external auditors and senior management.

The Audit Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code provision.

REMUNERATION COMMITTEE

The Remuneration Committee, comprised all Independent Non-executive Directors and the one Executive Director, is responsible for reviewing and determining the compensation and benefits of the Directors and senior management. The Remuneration Committee is chaired by an Independent Non-executive Director.

The Remuneration Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision.

NOMINATION COMMITTEE

The Nomination Committee, comprised all Independent Non-executive Directors and the one Executive Director, is responsible for reviewing and making recommendation to the Board on matters relating to the Board structure and appointment and re-appointment of Directors. The Nomination Committee is chaired by an Independent Non-executive Director.

The Nomination Committee has specific written terms of reference which are of no less exacting terms than those stipulated in Code Provision.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective internal control system of the Group. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives.

AUDITORS' REMUNERATION

SHINEWING (HK) CPA Limited was appointed as the independent auditor of the Company on 23 September 2009, following the retirement of CCIF CPA Limited at the annual general meeting held on 30 June 2009. Total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$625,000. No cost was incurred for other non-audit services provided by the auditors for the Company and its subsidiaries during the year.

The responsibilities of the auditors with respect to financial reporting are set out in the section of "Independent Auditor's Report" on page 15.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the Period and they all confirmed that they have fully complied with the required standard set out in the Model Code. The Company is considering adopting a code of conduct governing securities transactions with terms no less exacting than that required by the Listing Rules by employees who may possess or have access to price sensitive information.

COMMUNICATION WITH SHAREHOLDERS

The Company attaches great priority to establishing effective communications with its shareholders and investors. As a means of communications, the Company provides information relating to the Company and its business in its interim and annual reports.

The Company regards its annual general meeting as an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meetings to address shareholders' queries. The Company also responds to requests for information and queries from the shareholders and investors and welcomes the views of shareholders on matters concerning the Group and encourages them to attend shareholders' meetings to communicate any concerns they might have with the Board or management direct.

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries and associates are set out in detail in notes 41 and 22, respectively, to the financial statements. There was no change in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 December 2009 is set out in note 8 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2009 and the state of affairs of the Group at that date are set out in the financial statements on pages 17 to 24.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years ended 31 December 2009, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 81. The summary is not part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTY

Details of movements in the investment property of the Group are set out in note 19 to the financial statements.

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Company and of the Group are set out in note 44 to the financial statements and on pages 21 to 22, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2009 the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for more than 30% of the total sales for the year, and the purchases attributable of the five largest suppliers accounted for less than 30% of the Group's total purchases. Information about major customers are set out in note 8 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Chen Jung Hsin	(ceased on 19 August 2009)
Mr. Li Wing Sum, Steven	(retired on 30 June 2009)
Mr. Zhang Guodong	(appointed on 1 March 2009)
Mr. Zhong Guoxing	(appointed on 11 August 2009)

Non-executive Director

Ms. Liang Huixin	(appointed on 11 August 2009)

Independent Non-executive Directors

Dr. Dong Ansheng	
Mr. Poon Chiu	(resigned on 1 July 2009)
Mr. Wu Fengchun	(resigned on 19 March 2010)
Mr. Hung Hing Man	(appointed on 23 September 2010)

Mr. Zhong Guoxing, Mr. Hung Hing Man and Ms. Liang Huixin shall retire at the AGM in accordance with Bye-law 100 of the Bye-laws of the Company and Mr. Zhang Guodong shall retire at the AGM in accordance with Bye-law 109(A) of the Bye-laws of the Company; and all being eligible, offer themselves for re-election as directors at the AGM.

DIRECTORS' SERVICE AGREEMENTS

Mr. Zhang Guodong, Mr. Zhong Guoxing and Ms. Liang Huixin have each entered into a service agreement with the Company for an initial term of three years commencing on 1 March 2009, 11 August 2009 and 11 August 2009 respectively and shall continue thereafter unless terminated in accordance with the terms of the service agreements.

None of the Independent Non-executive Directors have entered into a service agreement with the Company. They have no specific term of office but shall be subject to retirement by rotation and be eligible for re-election at the AGM of the Company pursuant to the Bye-laws.

Save as disclosed above, no director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had any beneficial interest, either direct or indirect, in any significant contract to which the Company, any of its holding companies or any of its subsidiaries was a party at the year end date or at any time during the year.

DIRECTORS' INTERESTS IN EQUITY SECURITIES

At 31 December 2009, none of the directors, chief executive nor their associates, had any interests or short position in any shares, underlying shares or rights to subscribe for the securities of the Company and its associated corporations, as recorded in the register maintained by the Company under Section 352 of the Securities and Futures ordinance (the "SFO"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At as 31 December 2009, the following parties were recorded in the register kept by the Company under section 336 of the SFO as being directly or indirectly interested or deemed to be interested in 5% or more of the issued share capital of the Company:

(a) Long position in the Shares:

Name of substantial shareholder	*Note*	No. of ordinary shares of HK$0. 50 each Personal interests	Corporate interests	Total	Shareholding percentage
Mr. Liang Wenguan ("Mr. Liang")	*1*	125,412,000	2,084,549,171	2,209,961,171	56.19%
Gree International Holding Limited ("Gree")	*1*	–	723,970,000	723,970,000	18.41%

Note 1: Madex International Company Limited, a company which is 100% owned by Mr. Liang, has charged 723,970,000 Shares to Gree, which is thus deemed to be interested in the said shares. Mr. Wang Gang and Mr. Dong Taijin, each holding 50% of the issued share capital of Gree, are severally deemed to be interested in all 723,970,000 Shares, representing 18.41% of the issued shares capital of the Company as at 31 December 2009.

As at 31 December 2009, no short positions were recorded in the register kept by the Company under section 336 of the SFO.

(b) Long position in the shares of the subsidiaries of the Company:

Name of subsidiary	Name of substantial shareholder	Percentage of Shareholding
Binshou Huifeng Three-Dimension Agriculture Development Ltd.* 濱州惠豐三維農業發展有限公司	Wuli County Donghuang Agiculture Development Centre* 無棣縣東黃農業綜合開發中心	49%

* *for identification purpose only*

Save as disclosed above, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company), including companies of which the Director/proposed directors is an employee, who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group as at 31 December 2009.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 42 to the financial statements.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the annual results.

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.

CONNECTED TRANSACTIONS AND MATERIAL RELATED PARTY TRANSACTIONS

Details of the connected transactions and material related party transactions are provided in note 37 to the financial statements.

MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiaries during the year, which are or may be material:

(1) a conditional sale and purchase agreement dated 23 December 2009 to acquire an office premises unit for a total cash consideration of HK$31,756,800.

LITIGATION

Details of the litigation are provided in note 31 to the financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date hereof, there is sufficient public float of not less than 25% of the Company's issued shares as required by the Listing Rules.

AUDITORS

SHINEWING (HK) CPA Limited retires and a resolution for its reappointment as the independent auditor of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Zhang Guodong
Executive Director

Hong Kong, 16 April 2010

信永中和
ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF DYNAMIC GLOBAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Dynamic Global Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 80, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

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

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately HK$2,438,000 as at 31 December 2009. This condition indicates the existence of a material uncertainty which may cast doubt about the Group's ability to continue as going concern.

SHINEWING (HK) CPA LIMITED
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
16 April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	9	**22,568**	66,114
Cost of sales		**(6,355)**	(49,521)
Gross profit		**16,213**	16,593
Other revenue	9	**465**	4,042
Negative goodwill on acquisition of additional interest in a subsidiary	35(i)	**4,136**	–
Negative goodwill on acquisition of a subsidiary	35(ii)	**–**	96
Fair value changes on investment property	19	**28,345**	–
Impairment loss recognised in respect of trade and other receivables		**(25,064)**	–
Impairment loss recognised in respect of property, plant and equipments		**–**	(9,409)
Distribution costs		**(1,443)**	(1,368)
Administrative expenses		**(28,565)**	(30,545)
Finance costs	10	**(4,801)**	(4,833)
Loss before tax		**(10,714)**	(25,424)
Income tax expenses	11	**(7,456)**	(471)
Loss for the year	12	**(18,170)**	(25,895)
Loss for the year attributable to:			
Owners of the Company		**(18,357)**	(27,134)
Minority interests		**187**	1,239
		(18,170)	(25,895)
Loss per share	16		
– Basic and diluted		**(0.48) cents**	(1.21) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Loss for the year	**(18,170)**	(25,895)
Other comprehensive income		
Exchange differences arising on translation of foreign operations and other comprehensive income for the year (net of tax)	**–**	12,694
Total comprehensive expenses for the year	**(18,170)**	(13,201)
Total comprehensive expenses attributable to:		
Owners of the Company	**(18,357)**	(17,717)
Minority interests	**187**	4,516
	(18,170)	(13,201)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipments	17	**4,075**	4,708
Prepaid lease payments	18	**5,549**	5,985
Investment property	19	**331,066**	302,721
Intangible asset	20	**48,205**	–
Available-for-sale investments	21	**–**	–
Interests in associates	22	**–**	–
Deposit paid for acquisition of a property	23	**1,000**	–
Deposit paid for acquisition of subsidiaries	23	**–**	21,351
Long-term other receivable	24	**–**	5,682
		389,895	340,447
Current assets			
Inventories	25	**2,727**	3,223
Trade and other receivables	26	**6,388**	32,229
Pledged and restricted bank balances	27	**3,258**	2,931
Bank balances and cash	27	**64,446**	80,680
		76,819	119,063
Current liabilities			
Trade and other payables	28	**68,882**	55,865
Bank borrowing	29	**8,929**	7,370
Obligations under finance leases	30	**–**	310
Tax liabilities		**1,216**	1,006
Provisions	31	**230**	1,783
		79,257	66,334
Net current (liabilities) assets		**(2,438)**	52,729
Total assets less current liabilities		**387,457**	393,176

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	36	**196,667**	180,625
Reserves		**50,370**	62,310
Equity attributable to owners of the Company		**247,037**	242,935
Minority interests		**5,578**	60,527
Total equity		**252,615**	303,462
Non-current liabilities			
Bank borrowing	29	**88,433**	49,745
Obligations under finance leases	30	**–**	646
Deferred tax liabilities	32	**46,409**	39,323
		134,842	89,714
		387,457	393,176

The consolidated financial statements on pages 17 to 80 were approved and authorised for issue by the board of directors on 16 April 2010 and are signed on its behalf by:

Zhang Guodong
Director

Zhong Guoxing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	301,041	63,528	222,194	52	19,143	(641,200)	(35,242)	56,011	20,769
(Loss) profit for the year	–	–	–	–	–	(27,134)	(27,134)	1,239	(25,895)
Other comprehensive income for the year	–	–	–	–	9,417	–	9,417	3,277	12,694
Total comprehensive income (expenses) for the year	–	–	–	–	9,417	(27,134)	(17,717)	4,516	(13,201)
Share issued *(note 36(b) and 36(c))*	60,208	21,196	–	–	–	–	81,404	–	81,404
Capital reduction *(note 36(e))*	(270,937)	–	270,937	–	–	–	–	–	–
Share premium cancellation *(note 36(i))*	–	(84,724)	84,724	–	–	–	–	–	–
Shares issued under open offer *(note 36(g))*	90,313	126,437	–	–	–	–	216,750	–	216,750
Expenses for issue of shares	–	(2,260)	–	–	–	–	(2,260)	–	(2,260)
Elimination of accumulated losses *(note 36(j))*	–	–	(577,855)	–	–	577,855	–	–	–
At 31 December 2008	180,625	124,177	–	52	28,560	(90,479)	242,935	60,527	303,462

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company							
	Share capital HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2009	180,625	124,177	52	28,560	(90,479)	242,935	60,527	303,462
(Loss) profit for the year	–	–	–	–	(18,357)	(18,357)	187	(18,170)
Total comprehensive (expenses) income for the year	–	–	–	–	(18,357)	(18,357)	187	(18,170)
Acquisition of additional interest in a subsidiary *(note 35(i))*	–	–	–	–	–	–	(55,136)	(55,136)
Shares issued pursuant to acquisition of an intangible asset through acquisition of a subsidiary *(note 36(h))*	16,042	6,417	–	–	–	22,459	–	22,459
At 31 December 2009	196,667	130,594	52	28,560	(108,836)	247,037	5,578	252,615

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(10,714)**	(25,424)
Adjustments for:		
Depreciation for property, plant and equipments	**964**	2,389
Amortisation of prepaid lease payments	**218**	218
Amortisation of intangible asset	**2,254**	–
Impairment loss recognised in respect of property, plant and equipments	**–**	9,409
Impairment loss recognised in respect of trade and other receivables	**25,064**	–
Fair value changes on investment property	**(28,345)**	–
Finance costs	**4,801**	4,833
Interest income	**(342)**	(278)
Loss on disposal of property, plant and equipments	**2**	84
Negative goodwill on acquisition of a subsidiary	**–**	(96)
Negative goodwill on acquisition of additional interest in a subsidiary	**(4,136)**	–
Effect of foreign exchange	**–**	(2,990)
Operating cash flows before movements in working capital	**(10,234)**	(11,855)
Decrease in inventories	**496**	41,022
Decrease in trade and other receivables	**995**	15,016
Increase (decrease) in trade and other payables	**3,017**	(47,795)
Decrease in provisions	**(1,553)**	(32,864)
Cash used in operations	**(7,279)**	(36,476)
Income tax paid	**(160)**	–
Net cash used in operating activities	**(7,439)**	(36,476)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Decrease (increase) in long-term other receivable		**5,682**	(5,682)
Interest received		**342**	278
Proceeds on disposal of property, plant and equipments		**7**	81
Increase in pledged and restricted bank balances		**(327)**	(233)
Purchase of property, plant and equipments		**(340)**	(1,643)
Deposit paid for acquisition of property, plant and equipments		**(1,000)**	–
Cash payments for acquisition of an intangible asset through acquisition of a subsidiary		**(8,000)**	–
Acquisition of additional interest in a subsidiary		**(39,649)**	–
Acquisition of a subsidiary	35(ii)	**–**	170
Deposit paid for acquisition of additional interest in a subsidiary		**–**	(11,351)
Deposit paid for acquisition of an intangible asset through acquisition of a subsidiary		**–**	(10,000)
Net cash used in investing activities		**(43,285)**	(28,380)
FINANCING ACTIVITIES			
New bank borrowing raised		**100,908**	58,960
Repayments of bank borrowing		**(60,661)**	(53,645)
Interest paid		**(4,801)**	(2,726)
Repayments of obligations under finance leases		**(956)**	(62)
Proceeds from issue of shares		**–**	110,287
Expenses on issue of shares		**–**	(2,260)
Net cash from financing activities		**34,490**	110,554
Net (decrease) increase in cash and cash equivalents		**(16,234)**	45,698
Cash and cash equivalents at 1 January		**80,680**	34,743
Effect of foreign exchange rate changes		**–**	239
Cash and cash equivalents at 31 December		**64,446**	80,680

1. GENERAL

Dynamic Global Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent company and the ultimate holding company is Madex International Company Limited ("Madex International") (incorporated in Western Samoa). The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") while the functional currency of the Company is Renminbi ("RMB"). The board of directors considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. The principal activities of the subsidiaries are set out in note 41.

2. BASIS OF PREPARATION

The Group's current liabilities exceeded its current assets by approximately HK$2,438,000 as at 31 December 2009. Nevertheless, the consolidated financial statements of the Group have been prepared by the directors on a going concern basis.

In the opinion of directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) the Group is able to generate positive cash flows from its operations, and

(ii) Zhu Hai Port Plaza Development Company Limited, a subsidiary of the Company's ultimate holding company, has granted a standby facility to the Company with limit up to RMB20,000,000 (approximately HK$22,676,000), which is available for use by the Company up to 3 July 2011.

Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation ("Int") 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) Int 13	Customer Loyalty Programmes
HK (IFRIC) Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (REVISED 2007) "PRESENTATION OF FINANCIAL STATEMENTS"

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 OPERATING SEGMENTS

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 8) and change in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvement to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First-time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exemption for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial liabilities with Equity Instruments[6]

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009, HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

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

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain investment property and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NEGATIVE GOODWILL

A negative goodwill on acquisition arising on an acquisition of a subsidiary for which an agreement date is on or after 1 January 2005 represents the excess of the Group's share of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Negative goodwill on acquisition of a subsidiary is recognised immediately in profit or loss.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any indentified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

REVENUE RECOGNITION

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

Revenue from sales of goods is recognised when the goods are delivered and title has passed.

Royalty income is recognised on an accrual basis in accordance with the terms of the relevant agreement.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROPERTY, PLANT AND EQUIPMENTS

Property, plant and equipments including buildings held for use in the production or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipments over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

At item of property, plant and equipments is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

INVESTMENT PROPERTY

Investment property are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment property are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

INTANGIBLE ASSET

Right to receive royalty fee acquired separately is recognised as an intangible asset and stated in the statement of financial position, at costs less accumulated amortisation and any accumulated impairment loss.

Amortisation for intangible asset with finite useful lives is provided on a straight-line basis over their estimated useful lives (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

IMPAIRMENT LOSS ON TANGIBLE AND INTANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

LEASING

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

PREPAID LEASE PAYMENTS

Prepaid lease payments represent interest in land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms. Prepaid lease payments are measured at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

BORROWING COSTS

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

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

TAXATION

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

PROVISION

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

FINANCIAL INSTRUMENTS

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

Financial assets

The Group's financial assets are classified into one of the two categories, including available-for-sale investments and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for the debt instruments.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as loans and receivables.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including long-term other receivable, trade and other receivables, pledged and restricted bank balances and bank balances and cash) are measured at amortised cost using the effective interest method, less any indentified impairment losses (see the accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Financial assets (continued)

Impairment loss on financial assets *(continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowing and obligations under finance leases) are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FINANCIAL INSTRUMENTS *(continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (see below), that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(i) *Going concern basis*

The assessment of the going concern assumptions involve making judgement by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumption are set out in note 2.

(ii) *Potential litigation subsequent to 31 December 2009*

As detailed in note 43, the Group had received a legal letter from an independent third party for claims of rights under a past distribution contract subsequent to 31 December 2009. The directors are of the opinion that after having sought the legal advice from the Company's lawyers, the claims can be successfully defended, and no provision is required to be made in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Useful lives of property, plant and equipments and estimation on depreciation

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

(ii) Fair value of investment property

Investment property are carried in the consolidated statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, a professional independent valuers not connected to the Group, using property valuation techniques which involve making assumptions on certain market conditions, favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment property and the corresponding adjustments to the gain or loss recognised in the consolidated income statement.

(iii) Estimated impairment loss on an intangible asset

Intangible asset is tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the value-in-use. The value-in-use calculation requires the directors of the Company to estimate the future cash flows expected to arise from the relevant cash generating unit and a suitable discount rate is used in order to calculate the present value.

(iv) Estimated impairment loss on trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its individual customers to make the required payments. The Group makes its estimates based on the history of its client, such as financial difficulties or default payments and current market conditions. If the financial condition of its individual customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2009, the carrying amount of trade and other receivables was approximately HK$6,388,000, net of allowance for doubtful debts of approximately HK$28,287,000 (2008: carrying amount of approximately HK$32,229,000, net of allowance for doubtful debts of approximately HK$ 278,000).

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

(v) Estimated provision for current and deferred taxation

The Group is subject to taxation in the PRC. Significant judgment is required in determining the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 liabilities in the period in which such determination is made.

6. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of debt, which included the bank borrowing disclosed in note 29 and obligations under finance leases disclosed in note 30, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of the capital and risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

There is no change in the capital risk management policy adopted by the Company during the two years ended 31 December 2009 and 31 December 2008.

7. FINANCIAL INSTRUMENTS

a) CATEGORIES OF FINANCIAL INSTRUMENTS

	2009 HK$'000	2008 HK$'000
Financial assets		
Available-for-sale investments	–	–
Loan and receivables		
– Trade and other receivables	5,576	26,347
– Pledged and restricted bank balances	3,258	2,931
– Bank balances and cash	64,446	80,680
	73,280	109,958
	73,280	109,958
Financial liabilities		
Other financial liabilities at amortised cost		
– Trade and other payables	63,279	50,752
– Bank borrowing	97,362	57,115
– Obligations under finance leases	–	956
	160,641	108,823

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowing and obligations under finance leases. The Group has various other financial assets and liabilities such as available-for-sale investments, trade and other receivables, pledged and restricted bank balances, bank balances and cash, trade and other payables, which arise directly from its operation. The main purpose of these financial instruments is to raise finance for the Group's operations. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Market risk

(i) Foreign currency risk

The functional currency of certain subsidiaries is RMB since all of the revenue of the Group are derived from operations in the PRC. In relation to the fluctuation on RMB against HK$, the Group considers that exchange risk arising from those currencies does not have significant financial impact to the Group. No hedging or other alternatives have been implemented during the year. The Group will consider hedging significant foreign currency exposure should the need arise. Other than the above, the Group did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

(ii) Interest rate risk

The Group is preliminary exposed to fair value interest rate risk in relation to fixed-rate bank borrowing (see note 29) and cash flow interest rate risk in relation to variable-rate bank balances at prevailing market rates (see note 27). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The directors of the Company consider the Group's exposure of the short term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity periods.

Interest rate sensitivity

If the interest rates had been increased/decreased by 25 basis points (2008: 25 basis points) at the beginning of both year and all other variables were held constant, the Group's loss after tax and accumulated losses would increase/decrease by approximately HK$243,000 (2008: increase/decrease by approximately HK$143,000). The assumed changes have no impact on the Group's other components of equity. This is mainly attributable to the Group's exposure with respect to interest rate on its variable-interest rate bank deposits and bank borrowing.

The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

Credit risk

As at 31 December 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk (continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Group has a certain degree of concentration of credit risk as 67% (2008: 77%) and 91% (2008: 87%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively. However, the directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% of the total trade receivable as at 31 December 2009 and 2008.

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

The Group is exposed to liquidity risk as at 31 December 2009 as the Group had net current liabilities of approximately HK$2,438,000. The liquidity of the Group primarily depends on the future funding being available and the ability of the Group to meet its financial obligations as they fall due. Details are set out in note 2.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(continued)*

b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk (continued)

As at 31 December 2009

	Effective interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables		63,279	–	–	–	63,279	63,279
Bank borrowing	5.94%	9,362	11,206	44,902	55,915	121,385	97,362
		72,641	11,206	44,902	55,915	184,664	160,641

As at 31 December 2008

	Effective interest rate	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount HK$'000
Trade and other payables		50,752	–	–	–	50,752	50,752
Bank borrowing	5.00%	11,986	11,986	35,958	24,498	84,428	57,115
Obligations under finance leases	8.00%	371	371	402	–	1,144	956
		63,109	12,357	36,360	24,498	136,324	108,823

c) FAIR VALUE

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term maturities.

8. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

As a result of the adoption of the HKFRS 8, the identification of the Group's reportable segment has changed. In prior years, segment information reported externally was analysed on the basis of business nature including segments of property development, property leasing, investment holding, resort operation and others. However, information report to the chief operating decision maker for the purpose of resource allocation and assessment of performances focus more specifically on the nature of industries. Therefore, on adoption of HKFRS 8, management has indentified the following operating segments: property leasing, property development, right to receive royalty fee and trading of goods, which represents the major operations in the Group engaged. The resort operation segment separately disclosed in prior years are reclassified into the property leasing segment and investment holding segment in prior year is reclassified as unallocated to consist with the way in which information is reported internally to the chief operating decision maker.

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirement of HKFRS 8. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

Property development	Sales of properties in Shanghai
Property leasing	Property leased in Harbin for rental income and resort operation in Nanzhang
Right to receive royalty fee	Royalty fee related to the royalty right leasing in Zhuhai
Trading of goods	Trading of goods in Harbin and Binzhou

8. SEGMENT INFORMATION *(continued)*

SEGMENT REVENUES AND RESULTS

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31 December 2009

	Property development HK$'000	**Property leasing** HK$'000	**Right to receive royalty fee** HK$'000	**Trading of goods** HK$'000	**Total** HK$'000
Revenue	–	16,518	3,962	2,088	22,568
Segment (loss) profit	(10,983)	41,631	574	(871)	30,351
Unallocated corporate expenses					(36,606)
Unallocated other revenue					342
Finance costs					(4,801)
Loss before tax					(10,714)

For the year ended 31 December 2008

	Property development HK$'000	Property leasing HK$'000	Trading of goods HK$'000	Total HK$'000
Revenue	53,050	10,872	2,192	66,114
Segment profit (loss)	523	(6,248)	412	(5,313)
Unallocated corporate expenses				(15,556)
Unallocated other revenue				278
Finance costs				(4,833)
Loss before tax				(25,424)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, impairment loss in respect of other receivables, negative goodwill, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets	**2009 HK$'000**	2008 HK$'000
Property development	**1,586**	13,320
Property leasing	**333,905**	310,110
Right to receive royalty fee	**50,767**	–
Trading of goods	**9,276**	13,459
Total segment assets	**395,534**	336,889
Unallocated corporate assets	**71,180**	122,621
Consolidated assets	**466,714**	459,510

Segment liabilities	**2009 HK$'000**	2008 HK$'000
Property development	**28,549**	30,673
Property leasing	**15,441**	14,901
Right to receive royalty fee	**11,937**	–
Trading of goods	**268**	15
Total segment liabilities	**56,195**	45,589
Unallocated corporate liabilities	**157,904**	110,459
Consolidated liabilities	**214,099**	156,048

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segment assets other than other receivables, interests in associates, equipment of head office, pledged and restricted bank balances and bank balances and cash.

– all liabilities are allocated to operating segment liabilities other than bank borrowing, obligations under finance leases, tax liabilities, deferred tax liabilities and other payables.

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION

For the year ended 31 December 2009

	Property development HK$'000	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to non-current assets *(note)*	13	5	50,516	245	20	50,799
Depreciation of property, plant and equipments	40	251	6	310	357	964
Loss on disposal of property, plant and equipments	1	–	–	1	–	2
Amortisation of prepaid lease payments	–	218	–	–	–	218
Negative goodwill on acquisition of additional interests in a subsidiary	–	(4,136)	–	–	–	(4,136)
Fair value changes on investment property	–	(28,345)	–	–	–	(28,345)
Amortisation of an intangible asset	–	–	2,254	–	–	2,254
Impairment loss recognised in respect of trade and other receivables	8,363	3,619	–	2,041	11,041	25,064

Note: Non-current assets excluded available-for-sale investments, interests in associates, deposit paid for acquisition of a property, deposit paid for acquisition of subsidiaries and long-term other receivable.

	Property development HK$'000	Property leasing HK$'000	Right to receive royalty fee HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:						
Interest income	2	257	3	1	79	342
Interest expenses	–	4,694	–	–	107	4,801
Income tax expenses	–	7,086	210	160	–	7,456

8. SEGMENT INFORMATION *(continued)*

OTHER SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2008

	Property development HK$'000	Property leasing HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(note)*	6	722	745	1,244	2,717
Depreciation of property, plant and equipments	296	1,805	–	288	2,389
(Gain) Loss on disposal of property, plant and equipments	–	–	102	(18)	84
Impairment loss recognised in respect of property, plant and equipments	–	9,409	–	–	9,409
Negative goodwill on acquisition of a subsidiary	–	–	–	(96)	(96)
Amortisation of prepaid lease payments	–	218	–	–	218

Note: Non-current assets excluded available-for-sale investments, interests in associates, deposit paid for acquisition of a property, deposit paid for acquisition of subsidiaries and long-term other receivable.

	Property development HK$'000	Property leasing HK$'000	Trading of goods HK$'000	Unallocated HK$'000	Total HK$'000
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	41	59	35	143	278
Interest expenses	–	2,302	–	2,531	4,833
Income tax expenses	–	–	471	–	471

8. SEGMENT INFORMATION *(continued)*

REVENUE FROM MAJOR PRODUCTS

	2009 **HK$'000**	2008 HK$'000
Property development	**–**	53,050
Property leasing	**16,518**	10,872
Right to receive royalty income	**3,962**	–
Trading of goods	**2,088**	2,192
	22,568	66,114

GEOGRAPHICAL INFORMATION

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		**Non-current assets** *(note)*	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
PRC	**22,568**	66,114	**387,800**	311,975
Hong Kong	**–**	–	**1,095**	1,439
	22,568	66,114	**388,895**	313,414

Note: Non current assets excluded available-for-sale investments, interests in associates, deposits paid and long-term other receivable.

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the turnover of the Group is as follows:

	2009 **HK$'000**	2008 HK$'000
Customer A[1]	**16,518**	10,872
Customer B[2] *(Note 1)*	**3,962**	N/A
Customer C[3] *(Note 2)*	**N/A**	53,050

[1] Revenue from property leasing
[2] Revenue from right to receive royalty fee
[3] Revenue from property development

Note 1: As the right to receive royalty fee segment is started in 2009, no such customer contributing revenue to the Group in 2008.

Note 2: No revenue was contributed from customer C in 2009.

9. REVENUE AND OTHER REVENUE

Revenue represents revenue arising on sales of properties and finished goods, gross rental income from investment property and royalty income for the year. An analysis of the Group's revenue for the year is as follows:

	2009 HK$'000	2008 HK$'000
Revenue		
Gross rental income from investment property *(note)*	**16,518**	10,872
Sales of properties	**–**	53,050
Royalty income	**3,962**	–
Trading of goods	**2,088**	2,192
	22,568	66,114

	2009 HK$'000	2008 HK$'000
Other revenue		
Interest income from banks	**342**	278
Waiver for legal claims	**–**	2,832
Waiver for compensation	**–**	233
Foreign exchange gain	**–**	110
Sundry income	**123**	589
	465	4,042

Note: The direct operating expenses of approximately HK$2,464,000 (2008: HK$1,622,000) was incurred from investment property that generated rental income during the year.

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expenses on:		
– bank borrowing and other interest bearing borrowings wholly repayable within five years	**–**	3,768
– bank borrowing and other interest bearing borrowings wholly repayable over five years	**4,694**	1,055
– obligations under finance leases wholly repayable within five years	**107**	10
	4,801	4,833

11. INCOME TAX EXPENSES

	2009 HK$'000	2008 HK$'000
Current tax		
PRC Enterprise Income Tax		
– Current year	**370**	939
– Over-provision in prior years	**–**	(468)
	370	471
Deferred tax		
– Current year *(note 32)*	**7,086**	–
	7,456	471

No provision for Hong Kong profits tax has been made for the year ended 31 December 2009 as the Group does not have any assessable profits subject to Hong Kong Profits Tax for the year (2008: Nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Enterprise Income Tax ("EIT") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

The tax charge for the years can be reconciled to the loss before tax per the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Loss before tax	**(10,714)**	(25,424)
Tax at the domestic income tax rate of 25% (2008: 25%)	**(2,679)**	(6,356)
Tax effect of expenses not deductible for tax purpose	**6,657**	2,352
Tax effect of income not taxable for tax purpose	**(1,150)**	(24)
Over-provision in prior years	**–**	(468)
Tax effect of unused tax losses not recognised	**4,628**	4,967
Tax charge for the year	**7,456**	471

11. INCOME TAX EXPENSES *(continued)*

The Group has tax losses arising in Hong Kong and the PRC of approximately HK$125,541,000 (2008: HK$125,541,000) and HK$45,629,000 (2008: HK$27,117,000) respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in the PRC are available for offsetting against future five years taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2009	2008
	HK$'000	HK$'000
Staff costs:		
Directors' emoluments *(note 13)*	**4,934**	2,470
Other staff cost	**4,520**	5,637
Retirement benefit scheme contributions (excluding directors)	**67**	71
Total staff costs	**9,521**	8,178
Auditor's remuneration	**625**	577
Depreciation for property, plant and equipments	**964**	2,389
Amortisation of prepaid lease payments	**218**	218
Minimum lease payments under operating lease charges	**2,370**	2,048
Loss on disposal of property, plant and equipments	**2**	84
Amortisation of an intangible asset	**2,254**	–
Cost of inventories recognised as an expense	**1,312**	47,899

13. DIRECTORS' EMOLUMENTS

The emolument paid or payable to each of the 9 (2008: 6) directors were as follows:

For the year ended 31 December 2009

	Fees HK$'000	Salaries and other benefits HK$'000	Contractual compensation for loss of office HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Zhang Guodong (appointed on 1 March 2009)	–	542	–	–	542
Zhong Guoxing (appointed on 11 August 2009)	–	254	–	–	254
Chen Jung Hsin (removed on 19 August 2009)	–	1,042	1,134	8	2,184
Li Wing Sum, Steven (retired on 30 June 2009)	–	534	840	6	1,380
	–	2,372	1,974	14	4,360
Non-executive director					
Liang Huixin (appointed on 11 August 2009)	152	–	–	–	152
Independent non-executive directors					
Dong Ansheng	152	–	–	–	152
Wu Fengchun (resigned on 19 March 2010)	152	–	–	–	152
Hung Hing Man (appointed on 23 September 2009)	41	–	–	–	41
Poon Chiu (resigned on 1 July 2009)	77	–	–	–	77
	422	–	–	–	422
	574	2,372	1,974	14	4,934

13. DIRECTORS' EMOLUMENTS *(continued)*

For the year ended 31 December 2008

	Fees HK$'000	Salaries and other benefits HK$'000	Contract compensation for loss of office HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Chen Jung Hsin	–	1,162	–	12	1,174
Li Wing Sum, Steven	–	798	–	12	810
Liang Wenjian (resigned on 4 March 2008)	–	126	–	–	126
	–	2,086	–	24	2,110
Independent non-executive directors					
Dong Ansheng	120	–	–	–	120
Poon Chiu	120	–	–	–	120
Wu Fengchun	120	–	–	–	120
	360	–	–	–	360
	360	2,086	–	24	2,470

Note 1: All the fees, salaries and other benefits, contractual compensation for loss of office and retirement benefit scheme contributions were paid or payable by the Company.

Note 2: None of the directors of the Company waived or agreed to waived any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group during the two years ended 31 December 2009 and 2008 and no compensation for loss of office were paid for the year ended 31 December 2008.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: two) were directors of the Company whose emoluments included in the disclosure in note 13 above. The emoluments of the remaining two (2008: three) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowance and other benefits	**1,275**	1,283
Retirement benefit scheme contributions	**22**	36
	1,297	1,319

14. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following band:

	Number of individuals	
	2009	2008
Nil to HK$1,000,000	**2**	3

During the years, no emoluments were paid by the Group to highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group. Approximately HK$1,974,000 (2008: HK$Nil) were paid to the Group's directors as compensation for loss of office during the year ended 31 December 2009.

15. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2009	2008
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company	**(18,357)**	(27,134)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,837,517,907**	2,236,345,176

Diluted loss per share and basic loss per share for the each of the year ended 31 December 2009 and 2008 were the same as there were no potential ordinary shares outstanding for both years.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation for the year ended 31 December 2008.

17. PROPERTY, PLANT AND EQUIPMENTS

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2008	25,757	1,478	713	7,102	1,199	36,249
Exchange adjustments	821	–	–	1,207	355	2,383
Additions	163	–	–	691	789	1,643
Disposals	–	–	–	(389)	(162)	(551)
Acquisition of a subsidiary	–	–	–	–	1,074	1,074
At 31 December 2008 and 1 January 2009	26,741	1,478	713	8,611	3,255	40,798
Additions	–	–	–	340	–	340
Disposals	–	–	–	(11)	–	(11)
At 31 December 2009	26,741	1,478	713	8,940	3,255	41,127
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	14,884	1,478	713	5,128	818	23,021
Exchange adjustments	275	–	–	1,176	206	1,657
Charge for the year	1,308	–	–	636	445	2,389
Elimination on disposals	–	–	–	(267)	(119)	(386)
Impairment loss recognised in profit or loss	9,409	–	–	–	–	9,409
At 31 December 2008 and 1 January 2009	25,876	1,478	713	6,673	1,350	36,090
Charge for the year	104	–	–	506	354	964
Elminiation on disposal	–	–	–	(2)	–	(2)
At 31 December 2009	25,980	1,478	713	7,177	1,704	37,052
CARRYING VALUES						
At 31 December 2009	761	–	–	1,763	1,551	4,075
At 31 December 2008	865	–	–	1,938	1,905	4,708

17. PROPERTY, PLANT AND EQUIPMENTS *(continued)*

The above items of property, plant and equipments are depreciated on a straight-line basis at the following rates per annum:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

– Leasehold improvements	Over the lease terms
– Plant and machinery	10-15 years
– Furniture and equipment	5-15 years
– Motor vehicles	4-10 years

One of the Company's subsidiary established in the PRC has reported continuing losses from its resort operation and its future profitability remains uncertain, thus giving rise to an indication that the carrying amount of the relevant buildings held for own use may be impaired. As a result, the Group assessed the recoverable amount of these buildings.

As at 31 December 2008, such buildings having carrying amount of approximately RMB8,299,000 (approximately HK$9,409,000) was valued zero on the depreciated replacement cost valuation approach. Accordingly, the carrying amount of the buildings held for own use was written down by approximately HK$9,409,000. The valuation was carried out by an independent firm of surveyors, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, who have among their staff fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

The carrying values of motor vehicles held under finance leases as at 31 December 2008 amounted to approximately HK$1,024,000. No property, plant and equipments were held under finance leases as at 31 December 2009.

18. PREPAID LEASE PAYMENTS

	2009 **HK$'000**	2008 HK$'000
Analysed for reporting purposes as:		
Current asset (included in trade and other receivables)	**218**	218
Non-current asset	**5,549**	5,985
	5,767	6,203
The Group's prepaid lease payments comprise:		
Leasehold land in PRC		
Medium-term lease	**5,767**	6,203

19. INVESTMENT PROPERTY

	2009 HK$'000	2008 HK$'000
FAIR VALUE		
As at 1 January	**302,721**	286,174
Exchange adjustments	**–**	16,547
Net increase in fair value recognised in profit or loss	**28,345**	–
At 31 December	**331,066**	302,721

The Group's investment property as at 31 December 2009 and 2008 was situated in the PRC and was held under medium-term lease.

The fair value of the Group's investment property as at 31 December 2009 and 2008 has been arrived at on the basis of a valuation carried out on that date by Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, independent qualified professional valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the same locations and conditions.

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

As at 31 December 2009 and 31 December 2008, the Group's investment property was pledged to secure the Group's bank borrowing of approximately HK$97,362,000 (2008: HK$57,115,000). Details are set out in note 29.

20. INTANGIBLE ASSET

	Right to receive royalty fee HK$'000
Addition during the year *(note 34)*	50,459
Amortisation for the year	(2,254)
Carrying value as at 31 December 2009	48,205

The intangible asset of the Group as at 31 December 2009 represented the right to receive royalty fee acquired from Zhuhai City Guo Xiang Investment and Consultancy Limited, an independent third party of the Group, during the year. The Group's right to receive royalty fee last for 16 years and expiring on 31 December 2024, at an annual royalty fee of RMB5,000,000 (approximately HK$5,669,000) to RMB7,800,000 (approximately HK$8,844,000), pursuant to a management agreement.

20. INTANGIBLE ASSET *(continued)*

The consideration for the acquisition of right to receive royalty fee was satisfied by cash of HK$28,000,000 and 320,837,000 newly issued consideration shares of the Company of HK$0.07, being the closing share price of the Company at the completion date of the acquisition. The transaction was completed on 20 April 2009 and the fair value of the intangible asset as at the completion date was considered to be approximately HK$50,459,000 by directors. As at 31 December 2009, part of the consideration of HK$10,000,000 (note 28) was not yet settled and included in trade and other payables. The balance will be settled by end of December 2010.

The above intangible asset has definite useful lives and is amortised over 16 years using the straight line method.

Details are set out in the announcements of the Company dated 11 December 2008 and 19 January 2009 respectively.

21. AVAILABLE-FOR-SALE INVESTMENTS

	2009 **HK$'000**	2008 HK$'000
Unlisted equity securities	**34,500**	34,500
Less: Impairment loss	**(34,500)**	(34,500)
	–	–
Add: Transfer from interests in associates	**–**	–
	–	–

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated overseas. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the year ended 31 December 2009, the Group recorded available-for-sale investments at nil carrying value, which transferred from the interests in associates. Details are disclosed in note 22.

22. INTERESTS IN ASSOCIATES

	2009 HK$'000	2008 HK$'000
Cost of unlisted investments	–	80,174
Share of post acquisition loss	–	(80,174)
Share of net assets	–	–
Amounts due from associates *(note)*	–	3,254
	–	3,254
Less: Impairment losses	–	(3,254)
	–	–

In prior years, the Group had a former director of the Company to represent the Group's interests in the associates. During the year ended 31 December 2009, the director has been removed by the board of the directors of the Company. Subsequently, the Group was failed to appoint another new director to represent the Group in the associates and was not able to attend any board meetings of the associates. The directors considered the Group was not able to exercise significant influence on the operating and financing activities on the associates since then and the associates have been reclassified as available-for-sale investments since the removal of the ex-director. Accordingly, the Group's interests in associates held by the Group was accounted for as available-for-sale investments at carrying value, which were considered nil by the directors.

Note: The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. During the year ended 31 December 2009, the carrying amount of nil was transferred to trade and other receivables as amount due from investee.

(a) As at 31 December 2008, the Group had interests in the following associates:

Name of entity	Form of entity	Place of incorporation/ registration and operation	Class of shares hold	Proportion of nominal value of issued/ contributed capital held and voting power held by the Group	Principal activities
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn") #	Sin-foreign owned enterprise	PRC	Contributed capital	27.3%	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	Incorporated	British Virgin Islands	Ordinary	39.0%	Investment holding

Beijing Zotn is a 70%-owned subsidiary of Golden Yield.

The Group has discontinued recognition of its share of losses of the associates. The amounts of unrecognised share of the associates, both years and cumulatively, are immaterial to the Group, accordingly, no disclosure is considered necessary.

23. DEPOSITS PAID

	2009 HK$'000	2008 HK$'000
Deposit paid for acquisition of additional interests in a subsidiary *(note (a))*	–	11,351
Deposit paid for acquisition of an intangible asset through acquisition of a subsidiary *(note (b))*	–	10,000
Deposit paid for acquisition of a property *(note (c))*	**1,000**	–
	1,000	21,351

Notes:

a) On 24 November 2008, Dynamic Progress Development Limited (the "Dynamic Progress"), a wholly-owned subsidiary of the Group, entered into an agreement with Zhuhai Rongye Technology Development Limited, the minority shareholder of a 70% owned subsidiary, namely Harbin Dynamic Global Property Co., Ltd. ("Harbin Dynamic") to acquire its 30% equity interest in Harbin Dynamic at a cash consideration of HK$51,000,000 (approximately RMB44,931,000). As at 31 December 2008, a deposit of approximately HK$11,351,000 (amounted to RMB10,000,000) was paid by the Group.

   The remaining balance of approximately HK$39,649,000 (RMB34,931,000) was fully settled during the year and the acquisition was completed on 8 April 2009. Thereafter, Harbin Dynamic became a wholly-owned subsidiary of the Group upon completion of the acquisition.

b) On 11 December 2008, the Group entered into an acquisition agreement with an independent third party, Zhuhai City Guo Xiang Investment and Consultancy Limited, to acquire an intangible asset (which represented a right to receive royalty fee). A deposit of HK$10,000,000 was paid before 31 December 2008. The acquisition was completed on 20 April 2009.

   Further details of the acquired intangible asset are set out in note 20.

c) On 23 December 2009, the Group entered into a preliminary agreement for the acquisition of a property of HK$31,756,800 in Hong Kong for the use as the Group's office premises. HK$1,000,000 has been paid as deposit. The transaction was completed on 26 February 2010.

24. LONG-TERM OTHER RECEIVABLE

During the year ended 31 December 2008, the Group entered into an agreement (the "Agreement") with Unionpay Digital Investment Limited ("Unionpay") (銀聯數碼投資有限公司), an independent third party, for exploration of a telephone smartcard business (the "Project") in PRC. Pursuant to the supplementary agreement signed on 8 April 2009, the Group has to contribute RMB10,000,000 ("Contribution") for the Project and a payment of RMB5,000,000 (approximately HK$5,682,000) was made upon signing of the Agreement.

During the year ended 31 December 2009, the Group and Unionpay considered the Project not profitable and both parties agreed to terminate the Agreement. The payment of RMB5,000,000 (approximately HK$5,682,000) made by the Group in the year ended 31 December 2008 was fully refunded to the Group.

25. INVENTORIES

	2009 HK$'000	2008 HK$'000
Properties held for sales	**358**	358
Finished goods	**2,369**	2,865
	2,727	3,223

The properties held for sales are situated in the PRC and held under medium-term leases.

26. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade receivables	**12,041**	9,603
Less: allowance for doubtful debts	**(7,541)**	(278)
	4,500	9,325
Other receivables	**591**	11,140
Prepayment and deposits	**1,297**	11,764
	6,388	32,229

The credit period granted to the Group's trade receivables generally ranges from 30 days to 120 days. The following is an aged analysis of trade receivable net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	2009 HK$'000	2008 HK$'000
Within 3 months	**1,406**	7,202
4 to 6 months	**2,192**	63
Over 6 months	**902**	2,060
Total	**4,500**	9,325

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for doubtful debts of trade receivables:

	2009 HK$'000	2008 HK$'000
As at 1 January	**278**	296
Impairment loss recognised	**7,572**	–
Bad debts written off on trade receivables	**(309)**	(18)
As at 31 December	**7,541**	278

At the end of reporting periods, the Group's trade receivables were individually determined to be impaired. The individually impaired trade receivables of approximately HK$7,541,000 (2008: HK$278,000) are recognised based on the history of its client, such as financial difficulties or default payments and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts of other receivables:

	2009 HK$'000	2008 HK$'000
As at 1 January	**–**	–
Transfer from amount due from associates	**3,254**	–
Impairment loss recognised	**17,492**	–
As at 31 December	**20,746**	–

At the end of reporting periods, the Group's other receivables were individually determined to be impaired. The individually impaired other receivables of approximately HK$20,746,000 (2008: Nil) are recognised based on the history of its client, such as financial difficulties or default payments and current market conditions. Consequently, specific impairment provision was recognised. The Group does not hold any collateral over these balances.

Ageing analysis of trade receivables which are past due but not impaired:

	2009 HK$'000	2008 HK$'000
Neither past due nor impaired	**1,406**	7,202
Less than 3 months past due	**2,192**	63
Over 6 months past due	**902**	2,060
	4,500	9,325

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

27. PLEDGED AND RESTRICTED BANK BALANCES AND BANK BALANCES AND CASH

	2009 HK$'000	2008 HK$'000
Pledged bank balances *(note (a))*	**3,258**	2,274
Restricted bank balances *(note (b))*	**–**	657
Bank balances and cash *(note (c))*	**64,446**	80,680
	67,704	83,611

Notes:

(a) The pledged bank balances of approximately HK$3,258,000 (2008: HK$ 2,274,000) were pledged to secure the bank borrowing as disclosed in note 29. The pledged bank balances carry fixed interest rate of 2.25% (31 December 2008: 2.25%) per annum. The pledged bank balances will be released upon the settlement of the relevant bank borrowing. As the pledged bank balances are expected to be released within one year, it was classified as current asset.

(b) The restricted bank balances represented bank balances frozen by the court due to the legal case with 225 buyers of the properties developed by the Group. The restricted bank balances in 2008 were all used to settle the compensation for legal claims. Details of the legal case are disclosed in note 31.

(c) At 31 December 2009, the balances that were placed with banks in the PRC amounted to approximately HK$52,209,000 (2008: HK$28,341,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government. Bank balances carry interest at floating rates based on daily bank deposit rates for both years.

28. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	**31,124**	34,456
Other payables and accrued charges	**17,961**	16,199
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary *(note 20)*	**10,000**	–
Refundable deposits received	**4,194**	97
Rental received in advance	**5,603**	5,113
	68,882	55,865

28. TRADE AND OTHER PAYABLES *(continued)*

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

	2009 **HK$'000**	2008 HK$'000
Over 6 months but less than 1 year	**–**	124
Over 1 year but less than 2 years	**–**	5,360
Over 2 years	**31,124**	28,972
	31,124	34,456

The average credit period on purchases of goods is up to 90 days. As at 31 December 2009, retentions monies held by the Group for contract works amounted to approximately HK$31,082,000 (2008: HK$25,675,000) were included in trade payables. The balances will be settled upon the finalisation of the contracting works which will take one to two years based on the progress of finalisation of various contracts.

29. BANK BORROWING

	2009 **HK$'000**	2008 HK$'000
The carrying amount of secured bank borrowing is repayable:		
Within one year	**8,929**	7,370
In more than one year but not more than two years	**11,197**	7,370
In more than two years but not more than five years	**38,691**	22,109
In more than five years	**38,545**	20,266
	97,362	57,115
Less: amount due within one year shown under current liabilities	**(8,929)**	(7,370)
	88,433	49,745

During the year ended 31 December 2009, the Group entered into a loan agreement with a bank for facilities amounting to approximately HK$100,907,000 (equivalent to approximately RMB89,000,000) with interest rate of 5.94% per annum. Such bank borrowing was secured by the Group's investment property and bank balances amounting to approximately HK$331,066,000 and HK$3,258,000 respectively. Also, a substantial shareholder of the Company, Mr. Liang Wenguan, provided a personal guarantee to the bank for the repayment of the entire bank borrowing.

During the year ended 31 December 2008, the Group entered into a loan agreement with a bank for facilities amounting to approximately HK$58,960,000 (equivalent to approximately RMB52,000,000) with fixed interest rate of 5% per annum. Such bank borrowing was secured by the Group's investment property and bank balances amounting to approximately HK$302,721,000 and HK$2,274,000 respectively.

The bank borrowing as entered by the Group in 2008 was fully repaid during the current year.

30. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. At 31 December 2008, the average lease term is 3 years (2009: Nil). Interest rates underlying all obligations under finance leases are fixed at 3.59%.

Amounts payable under finance leases:

	2009		2008	
	Present value of the minimum lease payments HK$'000	**Minimum lease payments HK$'000**	Present value of the minimum lease payments HK$'000	Minimum lease payments HK$'000
Within 1 year	–	–	310	371
After 1 year but within 2 years	–	–	310	371
After 2 years but within 5 years	–	–	336	402
	–	–	646	773
	–	–	956	1,144
Less: future finance charges		–		(188)
Present value of lease obligations		–		956

	2009 HK$'000	2008 HK$'000
Analysed by:		
Current	–	310
Non-current	–	646
	–	956

At 31 December 2008, the finance lease is guaranteed by a director with a maximum principal guaranteed amount of HK$1,550,000 (2009: Nil).

All obligations under finances leases are denominated in HK$.

The Group's obligations under finance leases are secured by the lessor's charge over the leased asset.

31. PROVISIONS

The movements of the provisions are as follows:

	Notes	Provision for Legal claims HK$'000	Provision for compensations HK$'000	Total HK$'000
At 1 January 2008		28,225	4,631	32,856
Exchange adjustments		1,523	268	1,791
Reversal of provision on compensation for late payment	(i)	(1,884)	–	(1,884)
Waiver of certain claims and compensations	(ii)	(948)	(233)	(1,181)
Settlements made	(ii)	(26,916)	(2,883)	(29,799)
At 31 December 2008 and 1 January 2009	(iii)	–	1,783	1,783
Settlement made	(iv)	–	(1,553)	(1,553)
At 31 December 2009		–	230	230

A subsidiary of the Company in the PRC (the "Subsidiary") entered into contracts ("Pre-sale Contracts") with buyers since 2003 from pre-sale of its properties under development for sale (the "Properties"). According to the terms of the Pre-sale Contracts, if the Properties were not assigned to the buyers on or before 31 December 2004, the buyers were eligible for compensations at the rate of 0.02% per day on deposits paid as from 1 January 2005 until the properties are assigned to the buyers. The Properties were completed and assigned to buyers on 23 May 2007. More than 300 buyers took legal actions against the Subsidiary for compensations since 2005. Accordingly, provision for compensation was made.

(i) On 13 March 2007, the Buyer filed an appeal with the Shanghai No. 1 Intermediate People's Court (上海市第一中級人民法院). The judgement was remained unchanged. Since the judgement was passed a year with the claim turned down by the court. The provision for legal claims of approximately RMB1,758,000 (approximately HK$1,884,000) was reversed in 2008.

(ii) During the year ended 31 December 2008, the Group settled the claims for the 225 buyers by payment of approximately RMB23,740,000 (approximately HK$26,916,000). Since the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB837,000 (approximately HK$948,000) was waived according to the resolution agreements.

During the year ended 31 December 2008, approximately RMB2,542,000 (approximately HK$2,883,000) have been paid for the provision for compensations. Since the Group signed resolution agreements with some buyers and part of legal claim in aggregate amount of approximately RMB206,000 (approximately HK$233,000) was waived according to the resolution agreements.

31. PROVISIONS *(continued)*

(iii) All legal and professional fees in relation to the legal claims as mentioned above in note 31(i) to 31(ii) have been properly accounted for in the consolidated financial statements of 2008.

(iv) During the year ended 31 December 2009, approximately RMB1,370,000 (approximately HK$1,553,000) have been paid for the provision for compensations.

32. DEFERRED TAX LIABILITIES

	2009	2008
	HK$'000	HK$'000
At 1 January	**39,323**	37,174
Charged to consolidated income statement *(note 11)*	**7,086**	–
Exchange adjustment	**–**	2,149
At 31 December	**46,409**	39,323

The deferred tax liabilities for the year ended 31 December 2009 arise from fair value changes on investment property of the Group.

33. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group or borrowing of the Group (see note 29):

	2009	2008
	HK$'000	HK$'000
Investment property	**331,066**	302,721
Bank balances	**3,258**	2,274
	334,324	304,995

In addition, the Group's obligations under finance leases (see note 30) in 2008 are secured by the lessors' title to the leased assets, which have a carrying amount of approximately HK$1,024,000.

34. ACQUISITION OF AN INTANGIBLE ASSET THROUGH ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2009, the Group acquired the entire interest in Zhuhai City Xiang Quan Hotel from an independent third party which was mainly holding an intangible asset for a consideration of approximately HK$50,459,000, which was satisfied by cash of HK$28,000,000 and an aggregate of 320,837,000 new shares of the Company. The acquisition had been accounted for as an acquisition of intangible asset as the net asset included in the subsidiary was only the intangible assets. For details, please refer to the announcements of the Company dated 11 December 2008 and 19 January 2009 respectively. The effect of the acquisition is summarised as follows:

Asset acquired:

	HK$'000
Intangible asset	50,459
Total consideration satisfied by:	
Cash	28,000
Issue of new shares	22,459
	50,459

Analysis of net outflow of cash and cash equivalents arising in acquisition of assets through a subsidiary:

– Deposit paid during the year ended 31 December 2008 (note 23)	10,000
– Cash paid during the year ended 31 December 2009	8,000
– Outstanding consideration payable as at 31 December 2009 (note 28)	10,000
	28,000

35. ACQUISITION OF A SUBSIDIARY

(i) ACQUISITION OF 30% ADDITIONAL EQUITY INTEREST IN A SUBSIDIARY DURING THE YEAR ENDED 31 DECEMBER 2009

On 24 November 2008, Dynamic Progress entered into an agreement with Zhuhai Rongye Technology Development Limited, the minority shareholder of Harbin Dynamic, to acquire its 30% equity interest in Harbin Dynamic at a consideration of HK$51,000,000 (approximately RMB44,931,000). The acquisition was completed on 8 April 2009 and the consideration was fully settled by cash during the year. After the completion of the acquisition, the Group's interest in Harbin Dynamic increased from 70% to 100%. The negative goodwill on acquisition of additional interest in a subsidiary of approximately HK$4,136,000 has been credited to the consolidated income statement.

35. ACQUISITION OF A SUBSIDIARY *(continued)*

(ii) ACQUISITION OF 100% EQUITY INTEREST IN A SUBSIDIARY DURING THE YEAR ENDED 31 DECEMBER 2008

On 5 November 2008, the Group acquired the entire share capital of Winford Asia Pacific Limited, a company in which had a common director with the Group, for a consideration of HK$1. The acquisition had been accounted for using purchase method. The amount of negative goodwill on acquisition of a subsidiary arising as a result of the acquisition was approximately HK$96,000.

The acquisition would save cost for the Group in the long run and would be in the commercial interest of the Group and its shareholders as a whole. The total consideration of HK$1 was satisfied by cash. The fair values of identifiable assets and liabilities of the above company as at its date of acquisition, which had no significant difference from its carrying amount.

The net assets acquired in the transaction, and the negative goodwill on acquisition of a subsidiary arising, are as follows:

Net assets acquired:

	HK$'000
Property, plant and equipments	1,074
Trade and other receivables	53
Bank balances and cash	170
Trade and other payables	(193)
Obligations under finance leases	(1,008)
	96
Negative goodwill on acquisition of a subsidiary	(96)
Total consideration	–
Satisfied by:	
Cash consideration*	–
Net cash inflow arising on acquisition:	
Cash consideration	–
Less: bank balances and cash acquired	170
	170

* Total consideration of the acquisition was HK$1.

35. ACQUISITION OF A SUBSIDIARY *(continued)*

(ii) ACQUISITION OF 100% EQUITY INTEREST IN A SUBSIDIARY DURING THE YEAR ENDED 31 DECEMBER 2008 *(continued)*

Winford Asia Pacific Limited contributed approximately HK$65,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2008, total Group revenue for the period would have been approximately HK$66,554,000, and loss for the period would have been approximately HK$25,779,000 respectively. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2008, nor was it intended to be a projection of future results.

Winford Asia Pacific Limited had been loss making and the vendor rendered a bargain to the Group which resulted in a negative goodwill.

36. SHARE CAPITAL

	2009			2008		
		Amount			Amount	
	No. of share	**Per Shares HK$**	**Total HK$'000**	No. of share	Per Share HK$	Total HK$'000
Ordinary shares of HK$0.1 each at 1 January 2008 and HK$0.05 each at 31 December 2008, 1 January 2009 and 31 December 2009						
Authorised						
At 1 January	**60,000,000,000**	**0.05**	**3,000,000**	4,000,000,000	0.1	400,000
Increase during the year *(note (a))*	**–**		**–**	26,000,000,000	0.1	2,600,000
	60,000,000,000	**0.05**	**3,000,000**	30,000,000,000	0.1	3,000,000
Share consolidation *(note (d))*	**–**		**–**	(15,000,000,000)		–
Share subdivision *(note (f))*	**–**		**–**	45,000,000,000		–
At 31 December	**60,000,000,000**	**0.05**	**3,000,000**	60,000,000,000	0.05	3,000,000
Issued and fully paid						
At 1 January	**3,612,492,504**	**0.05**	**180,625**	3,010,410,504	0.1	301,041
Issue of new shares *(2009: note (h))* *(2008: note (b), (c))*	**320,837,000**	**0.05**	**16,042**	602,082,000	0.1	60,208
	3,933,329,504	**0.05**	**196,667**	3,612,492,504	0.1	361,249
Share consolidation *(note (d))*	**–**		**–**	(1,806,246,252)		–
Capital reduction *(note (e))*	**–**		**–**	–		(270,937)
Share after capital reduction	**3,933,329,504**	**0.05**	**196,667**	1,806,246,252	0.05	90,312
Open offer *(note (g))*	**–**		**–**	1,806,246,252	0.05	90,313
At 31 December	**3,933,329,504**	**0.05**	**196,667**	3,612,492,504	0.05	180,625

36. SHARE CAPITAL *(continued)*

Notes:

(a) On 9 September 2008, the authorised share capital of the Company be increased from HK$400,000,000 (divided into 4,000,000,000 ordinary shares of HK$0.10 each) to HK$3,000,000,000 (divided into 30,000,000,000 ordinary shares of HK$0.10 each) by the creation of 26,000,000,000 new shares of HK$0.10 each, which upon issue shall rank pari passu in all respects with the existing shares (the "Increase in Authorised Share Capital").

(b) The Company entered into two conditional subscription agreements (with subsequent supplement agreements) with two subscribers on 12 December 2007 and 14 December 2007 respectively. According to the subscription agreements, the two subscribers agreed to subscribe for an aggregate of 287,734,000 shares at a subscription price of HK$0.13521 per share in an aggregate amount of HK$38,904,514. The shares were allotted to the two subscribers on 28 January 2008 and 29 February 2008 respectively.

(c) On 12 December 2007, the Company also entered into a conditional loan settlement agreement with a loan creditor, pursuant to which the loan would be settled in full by capitalising the loan (the principal amount together with accrued interest up to the date of agreement amounted to HK$42,499,850) into the capital of the Company by means of issuing and allotting 314,348,000 shares at a price of HK$0.1352 per share to the loan creditor. The shares were allotted on 28 January 2008.

(d) Subject to the Increase in Authroised Share Capital becoming effective on 9 September 2008 (the "Effective Date"), the share consolidation was implemented by consolidation of every two issued and unissued shares of HK$0.10 each in the share capital of the Company into one consolidated share of HK$0.20 each (the "Consolidated Share") in the share capital of the Company (the "Share Consolidation").

(e) Subject to and forthwith upon the Share Consolidation taking effect, the issued share capital of the Company be reduced by cancelling the paid up capital to the extent of HK$0.15 on each issued Consolidated Share on the Effective Date such that the nominal value of all the issued Consolidated Shares will be reduced from HK$0.20 to HK$0.05 each (the "New Shares") (the "Capital Reduction").

(f) Subject to the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Share of HK$0.20 each in the share capital of the Company will be subdivided into four New Shares of HK$0.05 each.

(g) The allotment and issue by way of open offer (the "Open Offer") of 1,806,246,252 New Shares of HK$0.05 each in the capital of the Company upon the Capital Reorganisation becoming effective to those shareholders of the Company at a price of HK$0.12 per share. Under the terms of the Open Offer, the consideration for 1,211,394,433 New Shares of approximately HK$145,367,000 was paid up by capitalisation of the loan of approximately HK$145,367,000 due to Madex Holdings Limited and the consideration for the remaining New Shares under the Open Offer was paid in cash.

(h) On 20 April 2009, 320,837,000 new shares ("Consideration Shares") of the Company were issued at HK$0.07 each as part of the consideration of the acquisition of an intangible asset through acquisition of a subsidiary. The Consideration Shares were credited as fully paid upon completion of the acquisition.

The new share ranks pari passu in all respects with the existing shares.

36. SHARE CAPITAL *(continued)*

Notes: (continued)

(i) The share premium cancellation involved the cancellation of the entire amount standing to the credit of the share premium account of the Company as at 18 July 2008 amount to HK$84,724,404.

(j) The credit amount arising form the capital reduction and the share premium cancellation be transferred to the contributed surplus account of the Company and a sum of approximately HK$577,855,000 in the contributed surplus account of the Company be applied to set off against the accumulated losses of the Company which amounted to approximately HK$577,855,000 as at 31 December 2007 (note 44(c)).

37. RELATED PARTY TRANSACTIONS

a) During the years ended 31 December 2009 and 2008, the Group entered into following transactions with its related parties:

i) On 17 April 2008, the Company and Madex Holdings Limited entered into a loan agreement in relation for a loan facility of HK$60,000,000 granted to the Company. The loan borne interest at the prime rate quoted by Bank of China (HK) and shall be repaid on 31 August 2009. Madex Holdings Limited made additional advance of approximately HK$44,108,000 under the loan agreement to the Group and the Group made repayments of approximately HK$18,744,000 to Madex Holdings Limited during the year ended 31 December 2008.

ii) On 30 April 2008, the Company, Madex Holdings Limited and a third party entered into an assignment of debts pursuant to which the debts of approximately HK$32,651,000 due to the third party has been assigned to Madex Holdings Limited.

iii) On 16 June 2008, the Company, Harbin Dynamic, Madex Holdings Limited and a minority shareholder namely Zhuhai Rongye Technology Development Limited ("Zhuhai Technology") entered into an assignment of debts pursuant to which the debts of approximately HK$5,010,000 due by Harbin Dynamic to Zhuhai Techonolgy had been assigned as the debts due by the Company to Madex Holdings Limited.

iv) On 16 June 2008, the Company, Harbin Dynamic, Madex Holdings Limited and a third party entered into another assignment of debts pursuant to which the debts of approximately HK$12,508,000 due by Harbin Dynamic to the third party had been assigned as the debts due by the Company to Madex Holdings Limited.

37. RELATED PARTY TRANSACTIONS *(continued)*

a) *(continued)*

v) On 16 June 2008, the Company, Fairyoung (Shanghai) Properties Limited ("Fairyoung Shanghai"), Madex Holdings Limited and Zhuhui Technology entered into another assignment of debts pursuant to which the debts of approximately HK$16,854,000 due by Zhuhui Technology to Fairyoung Shanghai had been assigned as the debts due by Madex Holdings Limited to the Company.

vi) On 7 July 2008, the Company entered into a loan capitalisation agreement (varied by two supplemental agreements dated 18 July 2008 and 11 August 2008) with Madex Holdings Limited to settle the total outstanding loan and interest of approximately HK$145,367,000 due to Madex Holdings Limited. Pursuant to the loan capitalisation agreement, the Company issued and allotted approximately 1,211,394,000 shares at HK$0.12 per share as consideration for capitalisation of the outstanding balances due to Madex Holdings Limited.

vii) On 24 November 2008, the Company entered into an agreement with Zhuhai Technology to acquire its 30% equity interest in Harbin Dynamic at a consideration of HK$51,000,000. The consideration is determined with reference to the net asset value of Harbin Dynamic and after arm's length negotiation between the Company and Zhuhai Technology. The acquisition was completed on 8 April 2009.

viii) In November 2008, the Group acquired 100% equity interest in Winford Asia Pacific Limited ("Winford"), a company owned by Mr. Li Wing Sum, Steven, a director of the Company for a consideration of HK$1. The consideration was based on the par value of the issued share capital of Winford. Details of the acquisition have been set out in note 35(ii).

ix) Before the acquisition of Winford as mentioned in note 35(ii) above, the Company leased a motor vehicle from Winford and incurred a rental charge of HK$440,000 for the year ended 31 December 2008. The amount of rental was determined with reference to the amounts charged to third parties.

x) Interest expenses of approximately HK$2,097,000 had been paid to a subsidiary of the Company's substantial shareholder during the year ended 31 December 2008.

xi) During the year ended 31 December 2009, Mr. Liang Wenguan, a substantial shareholder of the Company, provided a personal guarantee to the bank for the repayment of the bank loan of approximately HK$100,907,000.

37. RELATED PARTY TRANSACTIONS *(continued)*

b) Compensation of directors and key management personnel of the Group:

Remuneration for key management personnel including amounts paid to the Company's directors as disclosed in note 13 and the highest paid employees as disclosed in note 14 is as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and other short-term employee benefits	**4,221**	3,729
Retirement benefit scheme contributions	**36**	60
Compensation for loss of office	**1,974**	–
	6,231	3,789

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. MAJOR NON-CASH TRANSACTION

On 20 April 2009, the Company completed the acquisition of an intangible asset through acquisition of a subsidiary with consideration of HK$50,459,000, of which HK$10,000,000 was already paid during the year ended 31 December 2008 by cash and recorded as deposits as of 31 December 2008. During the year ended 31 December 2009, a cash of HK$8,000,000 was paid. In addition, the remaining balance was settled by issuing 320,837,000 new consideration shares of the Company of HK$0.07 each at the completion date. As at 31 December 2009, part of the cash consideration of HK$10,000,000 was not yet settled and the balance will be settled on or before end of December 2010.

39. COMMITMENTS

a) OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leases its investment property and has the right to receive royalty fee under operating lease arrangements, with the leases negotiated for terms ranging from ten to sixteen years (2008: ten years). The terms of the leases also require the tenants and operator to pay security deposits.

As at 31 December 2009 and 2008, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**22,676**	14,550
In the second to fifth year	**105,740**	64,375
Over five years	**141,759**	73,375
	270,175	152,300

39. COMMITMENTS *(continued)*

a) OPERATING LEASE COMMITMENTS *(continued)*

The Group as lessor (continued)

The leases of investment property in 2009 and 2008 and the right to receive royalty fee in 2009 are expected to generate rental yields of approximately 3.6% to 5.4% on an ongoing basis. The investment property and the right to receive royalty fee have committed tenants and operator for the next eight years and fifteen years respectively.

The Group as lessee

At 31 December 2009 and 2008, the Group had total future minimum lease payments under the non-cancellable operating lease falling due as follows:

	2009 HK$'000	2008 HK$'000
Within one year	**647**	2,214
In the second to fifth year, inclusive	**40**	415
	687	2,629

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average of 2 years and rentals are fixed for average of 2 years.

b) AT THE END OF THE REPORTING DATE, THE GROUP HAD THE FOLLOWING CAPITAL COMMITMENTS:

	2009 HK$'000	2008 HK$'000
Contracted for but not provided in the consolidated financial statements:		
– acquisition of additional interest in subsidiary	**–**	39,649
– acquisition of an asset through the acquisition of a subsidiary	**–**	36,929
– long-term other receivable	**–**	5,682
– Office premise	**30,757**	–

40. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000, contributions to the MPF Scheme vest immediately. Contributions paid or payable to the MPF scheme are charged to the income statement.

The employees of the Group's subsidiaries in the PRC are members of a state-sponsored retirement plan organised by the municipal government under the regulations of the PRC and these subsidiaries make mandatory contributions to the state-sponsored retirement plan to fund the employees' retirement benefits. The retirement contributions paid by the PRC subsidiaries are based on a percentage of the eligible employees' salaries and are charged to the income statement as incurred. The Group discharges its retirement obligations upon payment of the retirement contributions to the state-sponsored retirement plan organised by the municipal government in the PRC.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2009 in respect of the retirement of its employees.

The total cost charged to the consolidated income statement of approximately HK$81,000 (2008: HK$95,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

41. PRINCIPAL SUBSIDIARIES

Particulars of the Group's principal subsidiaries as at 31 December 2009 and 2008 are as follows:

Name	Place of incorporation/ registration and operations	Particular of issued and fully paid capital/ registered capital	Proportion ownership interest and voting power held by the Company indirectly	Principal activities
Dynamic Global Development Limited	Hong Kong	HK$4 *(note(ii))*	100%	Investment holding
Fairyoung (Shanghai) Properties Limted *(note (i))*	PRC	US$12,000,000	100%	Property development
Harbin Dynamic Global Property Co., Ltd *(note (iii))*	PRC	RMB65,000,000	100%	Property leasing
珠海市百力行酒店管理有限公司 *(note (iv))*	PRC	RMB1,000,000	100%	Operating right leasing
Binzhou Huifeng Sanwei Co., Ltd	PRC	US$1,250,000	51%	Trading of goods

41. PRINCIPAL SUBSIDIARIES *(continued)*

Note:

i) Wholly foreign-owned enterprise registered in PRC.

ii) The issued share capital of Dynamic Global Development Limited comprises two voting ordinary shares of HK$1 each and two non-voting deferred shares of HK$1 each.

iii) Sino-foreign equity joint venture registered in PRC.

iv) The subsidiary was newly incorporated during the year ended 31 December 2009.

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

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

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 23 December 2009, the Group entered into a preliminary sales and purchases agreement to acquire office premises in Hong Kong at a consideration of HK$31,756,800. As at 31 December 2009, HK$1,000,000 deposit was paid, The transaction was completed on 26 February 2010 and settled by cash.

(b) On 15 March 2010, the directors of the Company proposed to change the Company's name from "Dynamic Global Holdings Limited" to "Madex International (Holdings) Limited" and to adopt the chinese name "盛明國際(控股)有限公司" as its secondary name. A special meeting was held on 16 April 2010 and the above proposed change was passed.

(c) Subsequent to 31 December 2009, the Group had received a claim. Details are set out in note 43.

43. CONTINGENT LIABILITIES

Subsequent to 31 December 2009, the Group received a legal letter from an independent third party in respect of dispute arising from a past exclusive distributorship agreement. Alleged losses were claimed to have been suffered by the independent third party. Based on the latest circumstances and legal advice obtained, the directors will prepare defence actions in relation to the claims. The directors considered that the Group had a valid and strong ground for defence and will not suffer material financial losses arising from such litigation, if any. Accordingly, no provision for any claim amount and other costs were made as at 31 December 2009 in the consolidated financial statements.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2009 HK$'000	2008 HK$'000
Non-current asset		
Investments in subsidiaries *(Note (a))*	**384,671**	399,047
Current assets		
Other receivables	**472**	489
Bank balances and cash	**6,740**	53,262
	7,212	53,751
Current liabilities		
Other payables	**3,112**	2,076
Amounts due to subsidiaries *(Note (b))*	**142,738**	132,814
	145,850	134,890
Net current liabilities	**(138,638)**	(81,139)
Total assets less current liabilities	**246,033**	317,908
Capital and reserves		
Share capital	**196,667**	180,625
Reserves *(Note (c))*	**49,366**	137,283
Total equity	**246,033**	317,908

Notes:

(a) INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009 HK$'000	2008 HK$'000
Unlisted shares at cost	**633,132**	633,132
Amount due from subsidiaries	**531,980**	465,356
	1,165,112	1,098,488
Less: Impairment losses	**(780,441)**	(699,441)
	384,671	399,047

Amounts due from subsidiaries are unsecured, interest free and not repayable within one year.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Notes: (continued)

(b) AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

(c) RESERVES

	Share premium HK$'000	**Contributed surplus reserve** HK$'000	**Capital redemption reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2008	63,528	337,613	52	(670,910)	(269,717)
Shares issued	21,196	–	–	–	21,196
Capital reduction	–	270,937	–	–	270,937
Share premium cancellation	(84,724)	84,724	–	–	–
Elimination of accumulated losses	–	(577,855)	–	577,855	–
Share issued under Open Offer	126,437	–	–	–	126,437
Expenses for issue of shares	(2,260)	–	–	–	(2,260)
Loss for the year	–	–	–	(9,310)	(9,310)
At 31 December 2008 and 1 January 2009	124,177	115,419	52	(102,365)	137,283
Shares issued pursuant to acquisition of an intangible asset through acquisition of a subsidiary	6,417	–	–	–	6,417
Loss for the year	–	–	–	(94,334)	(94,334)
At 31 December 2009	130,594	115,419	52	(196,699)	49,366

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year and such reclassification has no impact on the Group's loss for the year ended 31 December 2008. In particular, for the purpose of better representation of the Group's activities, certain reclassifications are set out below:

(i) The impairment loss in respect of property, plant and equipments of approximately HK$9,409,000, which had previously been recorded under "Other net expense/(income)" in the consolidated financial statements for 2008, was reclassified to "Impairment loss recognised in respect of property, plant and equipments".

(ii) The wavier for legal claims of approximately HK$2,832,000, compensation of approximately HK$233,000 and exchange gain of approximately HK$110,000, which had previously been recorded under "Other net expense/(income)" in the consolidated financial statements for 2008, was reclassified to "other revenue".

(iii) The negative goodwill on acquisition of subsidiary of approximately HK$96,000, which had previously been recorded under "Other net expense/(income)" in the consolidated financial statements for 2008, was reclassified into a separate line on the face of consolidated income statement.

(iv) The net loss on disposal of property, plant and equipments of approximately HK$84,000, legal claims of approximately HK$527,000 and other expense of approximately HK$48,000, which had previously been recorded under "Other net expense/(income)" in the consolidated financial statements for 2008, was reclassified to "administrative expenses".

Comparatives have been restated to conform to the presentation of the current year. However, the changes to the comparatives have not affected the consolidated statement of financial position at 1 January 2008 and accordingly the third consolidated statement of financial position as at 1 January 2008 is not presented.

FIVE YEAR FINANCIAL SUMMARY

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, are as set out below:

	2009 **HK$'000**	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
RESULTS					
Turnover	**22,568**	66,114	185,253	20,210	30,918
(Loss)/profit attributable to shareholders	**(18,357)**	(27,134)	54,387	(76,654)	(97,380)
ASSETS AND LIABILITIES					
Total assets	**466,714**	459,510	430,064	347,277	305,701
Total liabilities	**(214,099)**	(156,048)	(409,295)	(422,710)	(322,822)
Minority interests	**(5,578)**	(60,527)	(56,011)	(21,650)	(6,570)
Shareholders' equity	**247,037**	242,935	(35,242)	(97,083)	(23,691)

SCHEDULE OF INVESTMENT PROPERTY

Description	Use	Area	Percentage of attributable interest
North East Corner Central Avenue & Huapu Street Harbin, Helongjiang Province, The People's Republic of China	Commercial	Gross area – approximately 13,923 sq. metre	100