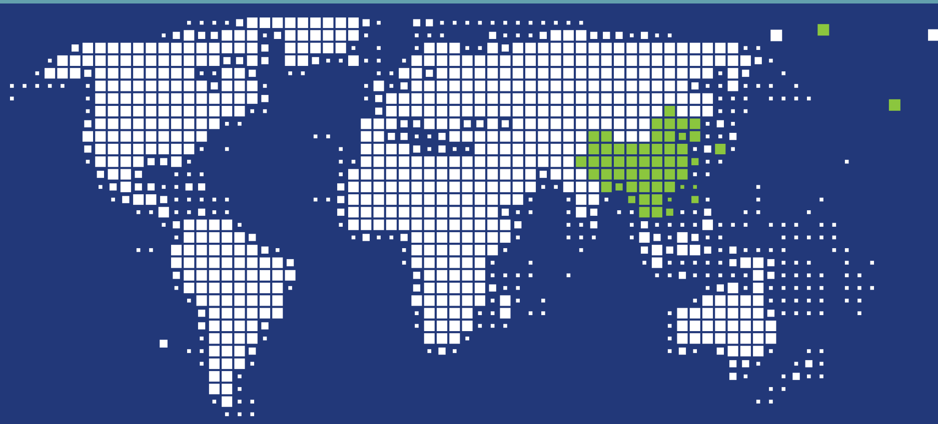
大中華實業控股有限公司

GREATER CHINA HOLDINGS LIMITED

Incorporated in Bermuda with limited liability

Stock Code: 431

Annual Report 2009



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Corporate Information

Executive Directors

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Mun

Non-executive Director

Mr. Chan Sze Hon

Independent Non-executive Directors and Audit Committee

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

Company Secretary

Ms. Chan Siu Mun

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants

Principal Bankers

Bank of China
The Hongkong and Shanghai Banking Corporation Limited

Legal Advisors

Sit, Fung, Kwong & Shum
Michael Cheuk, Wong & Kee

Head Office and Principal Place of Business

Room 1301
1 Lyndhurst Tower
1 Lyndhurst Terrace
Central
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrars and Transfer Office

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

Stock Code

431

Website

http://www.irasia.com/listco/hk/greaterchina/index.htm

Chairman's Statement

On behalf of the board of directors (the "Board") of Greater China Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2009.

Review of Operations

In 2009, the Group's operation of production and sale of fertilizers and chemicals is still under severe competition. Consequently, a segment loss of approximately HK$1,104,000 was resulted for the period under review.

For the industrial property development business, the construction of depot facilities in Taicang, the People's Republic of China (the "PRC") was completed in early 2010. It was expected to commence business in the second quarter of 2010 which would contribute positive revenue and cash flows to the Group.

Prospects

With the commencement of operation of the depot facilities in the PRC in 2010, it is expected that the revenue of the Group as a whole would be improved and the cash flows generated from the operation would strengthen the overall financial position of the Group.

The Group would focus on the business development of the depot facilities operation in the years to come with the objective to develop the segment as our major operation in terms of turnover as well as profitability. At the same time, the management will continue to explore business opportunity to maximize the returns to the shareholders.

Appreciation

On behalf of the Board, I would like to take this opportunity to thank our staff for their diligence, dedication, loyalty and integrity towards the Group. I would like to express my gratitude to our shareholders, customers and other business partners for their trust and support to the Group throughout the year.

Ma Xiaoling
Chairman

Hong Kong, 26 April 2010

Management Discussion and Analysis

Business Review

For the year ended 31 December 2009, turnover of the Group amounted to HK$5,273,000 (2008: HK$4,458,000) and loss for the year amounted to HK$44,332,000 (2008: HK$35,743,000). Despite of competitive business environment and the global financial difficulty in the later half of 2009, the management strived to maintain the operations of the Group and continued to control the costs and carry on the construction of the depot facilities in the PRC.

During the year under review, a segment loss of HK$1,104,000 was resulted for the production and sale of fertilizers and chemical segment (2008: a segment gain HK$915,000). The loss is due to the keen competition in the industry and the slow down of the economic environment in the PRC which led to a reduction in both the sales and the profit margin of the operation. The management will monitor the operation closely and explore various opportunities to widen the customer base and improve the profit margin in the coming year.

For the industrial property development business, the construction of the depot facilities was completed in early 2010 and would commence operation in the second quarter of 2010.

Financial Review

Liquidity and Financial Resources

As at 31 December 2009, the Group has current ratio of approximately 2.09 compared to that of 2.43 as at 31 December 2008 and the gearing ratio was 0.39 compared to that of 0.04 as at 31 December 2008. The calculation of gearing ratio was based on the total borrowings as at 31 December 2009 of HK$82,645,000 (2008: HK$10,152,000) and the equity attributable to equity holders at 31 December 2009 of HK$214,332,000 (2008: HK$258,461,000).

Capital commitment in respect of the acquisition and construction of property, plant and equipment amounted to HK$132,824,000 (2008: HK$147,401,000).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly denominated in Hong Kong dollars and Renminbi ("RMB").

Prospects

With the commencement of operation of the depot facilities in the PRC in 2010, it is expected that the revenue of the Group as a whole would be improved and the cash flows generated from the operation would strengthen the overall financial position of the Group.

The Group would focus on the business development of the depot facilities operation in the years to come with the objective to develop the segment as our major operation in terms of turnover as well as profitability. At the same time, the management will continue to explore business opportunity to maximize the returns to the shareholders.

Charges on Assets

As at 31 December 2009, property, plant and equipment of HK$83,875,000 (2008: HK$9,675,000) and bank deposits of HK$6,818,000 (2008: Nil) are pledged against bank loans granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2009.

Employees and Remuneration Policies

As at 31 December 2009, the Group has approximately 60 employees. Remuneration is determined by reference to their respective qualifications and experience and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Biographical Details of Directors

Executive Directors

Ms. Ma Xiaoling, aged 34, is the Chairman of the Company since July 2005. Ms. Ma graduated from Lanzhou Commercial College in the People's Republic of China (the "PRC") in 1998 majoring in International Trade and obtained a Bachelor Degree in Economics. Ms. Ma has years of experience in property development and investments in the PRC and Hong Kong. Ms. Ma is the sole director and beneficial owner of Keenlead Holdings Limited, which is the controlling shareholder of the Company.

Ms. Chan Siu Mun, aged 35, was appointed as an executive director of the Company since March 2008. Ms. Chan holds a Bachelor of Business Administration (Accounting and Finance) degree from the University of Hong Kong. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Chan has over 10 years of experience in auditing, accounting and financial management. Before joining the Company, she worked in an international professional audit firm and a number of listed companies.

Non-executive Director

Mr. Chan Sze Hon, aged 36, was appointed as Executive Director since July 2005. Mr. Chan holds a Bachelor of Arts Degree in Accountancy from City University of Hong Kong and a Master Degree in Corporate Finance from the Hong Kong Polytechic University. Mr. Chan is a Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has over 14 years of experience in accounting and financial management and had worked for an international accounting firm in Hong Kong. Mr. Chan is also an executive director of Fantasia Holdings Group Company Limited and an independent non-executive director of China Mining Resources Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of China AU Group Holdings Limited and ERA Holdings Global Limited, both shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Independent Non-executive Directors

Mr. Ching Men Ky, Carl, aged 65, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Tak Ming College with a Bachelor Degree in Business and was awarded with an Honorable Doctorate Degree from Beijing International Business School) in the PRC. Mr. Ching has years of experience in business management. He has also been participating in various social activities and has been acting as the director of United World Chinese Association Limited and the director of Asian Professional Basketball Management and Development Company Limited. Mr. Ching is currently an executive director of Sino Union Petroleum & Chemical International Limited, whose shares are listed on the Main Board of the Stock Exchange.

Biographical Details of Directors

Mr. Lin Ruei Min, aged 66, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from the Department of Politics of Fu Hsing Kang College in Taiwan. Mr. Lin is currently the Chief Consultant of an asset management consultant company in Taiwan. He is the founder of Taiwan branch of United World Chinese Association Limited.

Mr. Shu Wa Tung, Laurence, aged 37, appointed in August 2005 and serves on the Audit Committee of the Company, graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting. Mr. Shu is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a CPA member of CPA Australia. He has over 10 years of experience in audit, corporate finance and corporate advisory services. Mr. Shu is also an independent non-executive director of Perception Digital Holdings Limited, whose shares are listed on the Growth Enterprises Market of the Stock Exchange.

Corporate Governance Report

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of management of the Company as well as protecting the interests of all shareholders. The Company has always recognized the importance of the transparency and accountability towards the shareholders. It is the belief of the Board that shareholders can maximize their benefits from good corporate governance.

Code on Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Code on Corporate Governance") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except for the following deviations:

— Code A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

  Ms. Ma Xiaoling is the chairman and chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. The Board believes that this structure is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Ms. Ma and believes that her appointment to the posts of chairman and chief executive officer is beneficial to the business prospects of the Company.

— Code A.4.1 stipulates that non-executive directors should be appointed for specific terms and subject to re-election.

  The non-executive director and the independent non-executive directors of the Company were not appointed for any specific terms, as they are subject to retirement by rotation at the Company's annual general meeting in accordance with the Company's Byelaws.

The Board

The Board comprises two Executive Directors, being Ms. Ma Xiaoling (Chairman), and Ms. Chan Siu Mun, one Non-executive Director, being Mr. Chan Sze Hon and three Independent Non-executive Directors, being Mr. Ching Men Ky Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung Laurence.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence across the Board and has met the recommended practice under the Code on Corporate Governance for the Board to have at least one-third in number of its members comprising Independent Non-Executive Directors.

The Company has received an annual confirmation of independence from each of the independent non-executive directors. The Company is of the view that all the independent non-executive directors meet the guidelines for assessing independence in accordance with Rule 3.13 of the Listing Rules.

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performances, but the day-to-day management is delegated to the two Executive Directors, Ms. Ma Xiaoling and Ms. Chan Siu Mun. Ms. Ma as Chairman and Chief Executive Officer heads the Board and implements the strategies and polices approved by the Board whilst Ms. Chan are responsible for the operations of the Group, in particular the finance function.

Board Meeting

The Board held 4 meetings during the year of 2009. The individual attendance record is as follows:

Directors	Number of attendance
Executive directors:	
Ms. Ma Xiaoling	4/4
Ms. Chan Siu Mun	4/4
Non-executive directors:	
Mr. Chan Sze Hon	4/4
Independent non-executive directors:	
Mr. Ching Men Ky Carl	4/4
Mr. Lin Ruei Min	4/4
Mr. Shu Wa Tung Laurence	4/4

Directors have timely access to relevant information prior to each board meeting. Directors are given the opportunity to include matters in the agenda for regular board meetings while Directors are entitled to have access to board papers and related materials to allow them to make informed decisions on matters arising from board meetings.

Minutes of board meetings and meetings of other committees are kept by the Company Secretary and are open for inspection by directors.

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors whether the directors have complied with the required standard set out in the Model Code regarding directors' securities transactions and all directors confirmed that they have complied with the Model Code.

Audit Committee

The Company has established an audit committee in compliance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. The Group's financial statements for the year ended 31 December 2009 have been reviewed by the audit committee. The audit committee of the Company currently comprises three independent non-executive directors, including Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence.

The audit committee meets twice during the year. The individual attendance record is as follows:

Directors	Number of attendance
Mr. Ching Men Ky, Carl	2/2
Mr. Lin Ruei Min	2/2
Mr. Shu Wa *Tung, Laurence*	2/2

Remuneration Committee

The Board has established a remuneration committee. The remuneration committee, currently comprising executive directors, Ms. Ma Xiaoling and Ms. Chan Siu Mun, non-executive director, Mr. Chan Sze Hon and independent non-executive directors, Mr. Ching Men Ky, Carl, Mr. Lin Ruei Min and Mr. Shu Wa Tung, Laurence, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management member(s), as well as reviewing and determining the remuneration of all executive directors and senior management member(s) with reference to the Company's objectives from time to time. The remuneration committee met twice during the year with full attendance to review the remuneration policy and remuneration packages of the Executive Directors and members of the senior management.

Nomination of Directors

The Board considers the determination of the appointment and removal of directors to be the Board's collective decision and thus does not intend to adopt the recommended best practice of the Code on Corporate Governance to set up a Nomination Committee. Instead, however, the Board will meet to discuss nomination of directors when circumstances required. Upon receipt of a nomination from the members of the Board, a board meeting will then be convened to consider and discuss the nominated candidates(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules.

Auditors' Remuneration

For the year ended 31 December 2009, the total remuneration in respect of audit services paid and payable to the Company's auditors, Messrs. Deloitte Touche Tohmatsu, amounted to approximately HK$1,130,000.

Directors' Report

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

Principal Activities

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2009 are set out in the consolidated statement of comprehensive income on page 18.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

Share Capital

Details of the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Purchase, Sale and Redemption of the Listed Securities

During the year, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and the five largest customers accounted for approximately 24% and 80% of the Group's total revenue for the year respectively. The largest supplier and the five largest suppliers accounted for approximately 23% and 90% of the Group's purchases respectively.

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

Directors

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

Executive directors:

Ms. Ma Xiaoling *(Chairman)*
Ms. Chan Siu Man

Non-executive director:

Mr. Chan Sze Hon

Independent non-executive directors:

Mr. Ching Men Ky, Carl
Mr. Lin Ruei Min
Mr. Shu Wa Tung, Laurence

In accordance with clauses 99(A) and 99(B) of the Company's Bye-Laws, Ms. Ma Xiaoling and Mr. Shu Wa Tung, Laurence will retire and, being eligible, offer themselves for re-election.

Independent non-executive directors are not appointed for a specific term. All directors (including non-executive director and independent non-executive directors) are subject to retirement by rotation in accordance with the Company's Bye-Laws.

Directors' Service Contracts

No directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Shares

As at 31 December 2009, the interests of the directors and chief executive of the Company in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Long positions

Name	Nature of interest	Number of shares held	Percentage to issued share capital
Ms. Ma Xiaoling	Corporate interests (Note)	120,212,256	40.09%

Note: Ms. Ma Xiaoling is the beneficial owner of the entire issued share capital of Keenlead Holdings Limited, which owned 120,212,256 shares in the Company as at 31 December 2009.

Save as disclosed above, as at 31 December 2009, none of the directors and chief executive of the Company had an interest or short position in the equity or debt securities and underlying shares of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which the director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Arrangements to Purchase Shares or Debentures

Other than the share option scheme as disclosed in note 26 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Contracts of Significance

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

Interests of Substantial Shareholders

So far as is known to the directors, as at 31 December 2009, the following shareholders had interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register kept by the Company pursuant to Section 336 of the SFO, who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company:

Name	Note(s)	No. of shares held	Percentage to issued share capital
Keenlead Holdings Limited	1	120,212,256	40.09%
Ms. Ma Xiaoling	1	120,212,256	40.09%
China Main Investment (H.K.) Company Limited	2	32,000,000	10.67%
Centre Mark Development Limited	2	32,000,000	10.67%
Sino Elite International Limited	2	32,000,000	10.67%
China Main Group Company Limited	2	32,000,000	10.67%
Mr. Chen Dacheng	2	32,000,000	10.67%
Shenzhen Venture Capital (BVI) Company Limited	3	32,000,000	10.67%
Mr. Mei Jian	3	32,000,000	10.67%
Mr. Zhang Minlong	3	32,000,000	10.67%

Notes:

1. The entire issued share capital of Keenlead Holdings Limited is wholly and beneficially owned by Ms. Ma Xiaoling.

2. China Main Investment (H.K.) Company Limited ("China Main") is owned as to 60% by Centre Mark Development Limited and as to 40% by Sino Elite International Limited. Centre Mark Development Limited is owned as to 99.99% by Mr. Chen Dacheng and as to 0.01% by China Main Group Company Limited. Sino Elite International Limited is owned as to 99.99% by China Main Group Company Limited and as to 0.01% by Mr. Pai Chin Ming. China Main Group Company Limited is owned as to 99% by Mr. Chen Dacheng and as to 1% by Mr. Pai Chin Ming.

3. On 14 April, 2003, Shenzhen Venture Capital (BVI) Company Limited ("Shenzhen Venture Capital") reported that it has a security interest in 32,000,000 shares. Shenzhen Venture Capital is owned as to 50% by Mr. Mei Jian and 50% by Mr. Zhang Minlong.

Save as disclosed above, the Company has not been notified of any other shareholders who had any interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company as at 31 December 2009.

Emolument Policy

The emolument policy regarding the employees of the Group is set up by the Remuneration Committee and is based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to the directors and eligible employees, details of the scheme is set out in note 26 to the consolidated financial statements.

Pre-emptive Rights

There are no provision 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.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2009.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ma Xiaoling
Chairman

Hong Kong,
26 April 2010

Deloitte.
德勤

TO THE MEMBERS OF GREATER CHINA HOLDINGS LIMITED
大中華實業控股有限公司
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Greater China Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 61, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") 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 HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 April 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**5,273**	4,458
Cost of sales		**(4,179)**	(3,747)
Gross profit		**1,094**	711
Other income	7	**1,123**	2,981
Selling and distribution costs		**(449)**	(270)
Administrative and other operating expenses		**(42,682)**	(39,937)
Finance costs	8	**(3,418)**	(453)
Loss before tax		**(44,332)**	(36,968)
Income tax credit	9	**—**	1,225
Loss for the year	10	**(44,332)**	(35,743)
Other comprehensive income:			
Exchange differences on translation of foreign operation		**—**	14,363
Total comprehensive loss for the year		**(44,332)**	(21,380)
Loss for the year attributable to:			
Owners of the Company		**(44,129)**	(35,458)
Minority interests		**(203)**	(285)
		(44,332)	(35,743)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(44,129)**	(21,129)
Minority interests		**(203)**	(251)
		(44,332)	(21,380)
Loss per share — basic	13	**(14.72 cents)**	(11.83 cents)

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**116,172**	69,954
Prepaid lease payments	15	**98,661**	89,076
Available-for-sale investments	16	**—**	—
Prepayments for project development	17	**—**	14,318
Deposits for acquisition of land and buildings	18	**33,171**	49,364
Goodwill	19	**—**	—
		248,004	222,712
Current assets			
Inventories	20	**29**	40
Trade and other receivables	21	**1,623**	1,617
Prepaid lease payments	15	**2,128**	1,935
Prepayments and deposits		**595**	573
Pledged bank deposit	22	**6,818**	—
Bank balances and cash	22	**45,216**	58,109
		56,409	62,274
Current liabilities			
Other payables		**6,791**	15,525
Amounts due to a minority shareholder of subsidiaries	32(a)	**8,327**	7,879
Bank loans	23	**11,818**	2,273
		26,936	25,677
Net current assets		**29,473**	36,597
Total assets less current liabilities		**277,477**	259,309
Non-current liabilities			
Deferred tax liabilities	24	**—**	—
Bank loans	23	**62,500**	—
		214,977	259,309

Consolidated Statement of Financial Position

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Capital and reserves			
Share capital	25	**1,499**	1,499
Reserves		**398,631**	398,631
Accumulated losses		**(185,798)**	(141,669)
Equity attributable to owners of the Company		**214,332**	258,461
Minority interests		**645**	848
Total equity		**214,977**	259,309

The consolidated financial statements on pages 16 to 62 were approved and authorised for issue by the Board of Directors on 26 April 2010 and are signed on its behalf by:

Ma Xiaohing
DIRECTOR

Chan Siu Mun
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	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	1,499	379,281	5,021	(106,211)	279,590	—	279,590
Exchange differences on translation of foreign operations	—	—	14,329	—	14,329	34	14,363
Loss for the year	—	—	—	(35,458)	(35,458)	(285)	(35,743)
Total comprehensive income and (loss) for the year	—	—	14,329	(35,458)	(21,129)	(251)	(21,380)
Capital contribution from a minority shareholder	—	—	—	—	—	1,099	1,099
At 31 December 2008 and 1 January 2009	1,499	379,281	19,350	(141,669)	258,461	848	259,309
Loss for the year and total comprehensive loss for the year	—	—	—	(44,129)	(44,129)	(203)	(44,332)
At 31 December 2009	**1,499**	**379,281**	**19,350**	**(185,798)**	**214,332**	**645**	**214,977**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(44,332)**	(35,743)
Adjustments for:			
Income tax credit		**—**	(1,225)
Amortisation and depreciation		**5,291**	3,361
Impairment loss on prepayments for project development		**14,318**	—
Interest income		**(132)**	(1,649)
Finance costs		**3,418**	453
Operating cash flows before movements in working capital		**(21,437)**	(34,803)
Decrease in inventories		**11**	30
(Increase) decrease in trade and other receivables		**(6)**	4,064
(Increase) decrease in prepayments and deposits		**(22)**	3,044
Increase (decrease) in other payables		**2,211**	(530)
Cash used in operations		**(19,243)**	(28,195)
Interest paid		**(3,115)**	(150)
NET CASH USED IN OPERATING ACTIVITIES		**(22,358)**	(28,345)
INVESTING ACTIVITIES			
Prepayment for project development		**—**	(14,318)
Decrease in other receivables		**—**	22,472
Interest received		**132**	1,649
Purchase of property, plant and equipment		**(45,094)**	(46,612)
Acquisition of prepaid lease payments		**(10,945)**	(45,735)
Deposits for acquisition of land and buildings		**—**	(49,364)
Net cash inflow arising from disposal of subsidiaries	27	**—**	5,000
Repayment from a minority shareholder of subsidiaries		**—**	103
Increase in pledged bank deposit		**(6,818)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(62,725)**	(126,805)

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES			
Bank loans raised		**74,318**	2,247
Capital contribution from a minority shareholder of a subsidiary		**—**	1,099
Repayment of bank loans		**(2,273)**	(2,247)
Advance from a minority shareholder of subsidiaries		**145**	573
NET CASH FROM FINANCING ACTIVITIES		**72,190**	1,672
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(12,893)**	(153,478)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**58,109**	206,289
Effect of foreign exchange rate changes		**—**	5,298
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**45,216**	58,109

1. Basis of Presentation

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

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the financial statements are presented in Hong Kong dollars for the convenience of the readers.

The Company acts as an investment holding company. Particulars of the Company's principal subsidiaries at 31 December 2009 and 2008, are as follows:

Name	Place of incorporation and operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company				Principal activities
			2009		2008		
			Directly	Indirectly	Directly	Indirectly	
Delight Link Enterprises Limited	Hong Kong	Ordinary HK$2	100%	—	100%	—	Provision of administrative services to group companies
珠海經濟特區瑞農植保技術有限公司 Zhuhai S.E.Z. Rui Nong Plant Protection Technology Co. Ltd.	The People's Republic of China ("PRC")	Registered capital RMB10,011,239	—	51%	—	51%	Production and sale of fertilizers and chemicals
Keycharm Investments Limited ("Keycharm")	British Virgin Islands ("BVI")	Ordinary US$100	—	100%	—	100%	Investment holding
太倉中化國際興業石化開發建設有限公司 Taicang Sinochem International Xingye Petrochemical Development Company Limited ("Taicang")	PRC	Registered capital RMB240,000,000	—	100%	—	100%	Industrial property development with focus on port infrastructure and warehouse projects
北京三智興業投資有限公司	PRC	Registered capital RMB20,000,000	—	95%	—	95%	Provision of consultancy services and trading of merchandise

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

None of the subsidiaries had issued any debt securities at the end of the year.

2. Application of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied a number of new and revised Standards, Amendment to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Hong Kong Accounting Standards ("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
Hong Kong (International Financial Reporting Interpretations Committee) — Interpretations ("HK(IFRIC)") — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) — Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

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.

2. Application of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKAS 23 (Revised 2007) Borrowing Costs

In previous years, the Group expensed all borrowing costs when they were incurred, including those that were directly attributable to the acquisition, construction or production of a qualifying asset. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the new accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). This change in accounting policy has not had any impact on the results and financial position of the Group for the current and prior accounting periods.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The adoption of the new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. Application of New or Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 8 Operating Segments (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 Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosure[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions 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 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 adoption 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 the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Company's financial assets.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis and 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 Limited 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 Group 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 statement of comprehensive income 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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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.

3. Significant Accounting Policies (Continued)

Acquisition of additional interest in subsidiaries

Goodwill arising on acquisition of additional interest in subsidiaries represents the excess of the cost of the acquisition over the carrying amount of the net assets attributable to the additional interest in the subsidiaries.

Goodwill

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position and is carried at cost less accumulated impairment loss.

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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.

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

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

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment including building held for use in the production, or for administrative purpose, other than warehouse under construction, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than warehouse under construction, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Warehouse under construction are carried at cost less any recognised impairment losses, and are not depreciated. They are reclassified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment 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 profit or loss in the period in which the item is derecognised.

Leasehold land held for owner-occupied purpose

The leasehold land component is classified as a prepaid lease payment and is amortised on a straight-line basis over the lease term.

Impairment losses on tangible assets other than goodwill (see the accounting policies in respect of goodwill above)

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 an 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. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. Significant Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) 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, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

3. Significant Accounting Policies (Continued)

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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 rate (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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") and state-managed retirement benefit scheme which are defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (Continued)

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities 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 mainly classified into financial assets as loans and receivables and available-for-sale investments. 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. The accounting policies adopted in respect of each category of financial assets are set out below.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits, pledged bank deposit and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss financial assets below).

Available-for-sale financial assets

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

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

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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 impacted.

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, 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, an increase in the number of delayed payments in the portfolio past the average credit period 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 assets 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 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 profit or loss.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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.

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.

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 to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities include other payables, amounts due to a minority shareholder of subsidiaries and bank loans 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.

3. 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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

4. Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of 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, are discussed below.

Impairment loss on property, plant and equipment and prepaid lease payments

Included in property, plant and equipment mainly represented warehouse under construction. Determining whether warehouse under construction is impaired requires an estimation of future expected cash flows from the warehouse project and a suitable discount rate. The carrying amount of property, plant and equipment is HK$116,172,000 (2008: HK$69,954,000). The carrying amount of warehouse under construction is HK$102,326,000 (2008: HK$56,312,000).

Determining whether prepaid lease payments are impaired requires an estimation of the fair value of the prepaid lease payments less cost to sell and the future expected cash flows from the prepaid lease payments. The carrying amount of prepaid lease payments is HK$100,789,000 (2008: HK$91,011,000).

For the years ended 31 December 2009 and 2008, no impairment loss has been recognised for property, plant and equipment and prepaid lease payments.

5. Revenue

Revenue represents revenue arising on sales of fertilizers and chemicals. An analysis of the Group's revenue for the year is as follows:

	2009 HK$'000	2008 HK$'000
Sales of goods	**5,273**	4,458

6. 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 ("CODM"), the chairman of the Company, for the purposes 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.

In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. In the past, the Group had three business segments including fertilizers and chemicals, industrial property development and investment holding. However, for resource allocation and performance assessment purposes, the Group's operating segments include only fertilizers and chemicals segment and industrial property development segment. In addition, in prior periods, bank interest income and finance cost of the subsidiaries operating in segment activities were not included in segment results. Further, information reported to the CODM are based on the post-tax results of the subsidiaries engaged in the respective segment activities and bank interest income earned by and finance costs received by those subsidiaries are included in the measure of segment results.

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

6. 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

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
SEGMENT REVENUE	**5,273**	**—**	**5,273**
Segment results	**(1,104)**	**(35,616)**	**(36,720)**
Unallocated other income			**929**
Unallocated bank interest income			**89**
Central administration costs			**(8,327)**
Interest expenses paid to a minority shareholder of subsidiaries			**(303)**
Loss for the year			**(44,332)**

For the year ended 31 December 2008

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
SEGMENT REVENUE	4,458	—	4,458
Segment results	915	(27,373)	(26,458)
Unallocated other income			40
Unallocated bank interest income			404
Central administration costs			(9,426)
Interest expenses paid to a minority shareholder of subsidiaries			(303)
Loss for the year			(35,743)

All of the segment revenue reported above is from external customers.

6. Segment Information (Continued)

Segment revenues and results (Continued)

Segment result represents the post-tax profit or loss of the subsidiaries engaged in respective segment activities without allocation of some bank interest income, sundry income, central administrative costs and interest expenses paid to a minority shareholder of subsidiaries. This is the measure reported to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance.

Segment assets and liabilities

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

At 31 December 2009

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	14,201	253,125	267,326
Unallocated bank balances and cash			35,988
Unallocated property, plant and equipment			520
Unallocated other receivables, prepayments and deposits			579
Consolidated total assets			304,413
LIABILITIES			
Segment liabilities	3,890	76,931	80,821
Unallocated other payables			1,007
Unallocated amounts due to a minority shareholder of subsidiaries			7,608
Consolidated total liabilities			89,436

6. Segment Information (Continued)

Segment assets and liabilities (Continued)

At 31 December 2008

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Consolidated HK$'000
ASSETS			
Segment assets	15,645	223,838	239,483
Unallocated bank balances and cash			44,172
Unallocated property, plant and equipment			765
Unallocated other receivables, prepayments and deposits			566
Consolidated total assets			284,986
LIABILITIES			
Segment liabilities	4,431	12,034	16,465
Unallocated other payables			1,906
Unallocated amounts due to a minority shareholder of subsidiaries			7,306
Consolidated total liabilities			25,677

6. Segment Information (Continued)

Other information

For the year ended 31 December 2009

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Information included in respect results/segment assets:				
Capital additions	**171**	**64,111**	**—**	**64,282**
Amortisation and depreciation	**964**	**4,082**	**245**	**5,291**
Interest income	**6**	**37**	**89**	**132**
Finance costs	**120**	**2,995**	**303**	**3,418**
Write off of projects development costs (included in administrative and other operating expenses)	**—**	**2,798**	**—**	**2,798**
Impairment loss on prepayments for project development (included in administrative and other operating expenses)	**—**	**14,318**	**—**	**14,318**

For the year ended 31 December 2008

	Fertilizers and chemicals HK$'000	Industrial property development HK$'000	Unallocated HK$'000	Consolidated HK$'000
Information included in respect results/segment assets:				
Capital additions	363	118,641	3	119,007
Deposits for acquisition of land and buildings	—	49,364	—	49,364
Amortisation and depreciation	899	2,218	244	3,361
Interest income	8	1,237	404	1,649
Finance costs	150	—	303	453
Write off of projects development costs (included in administrative and other operating expenses)	—	4,240	—	4,240

6. Segment Information (Continued)

Geographical information

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

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

	Revenue from external customers Year ended		Non-current assets	
	31/12/2009	31/12/2008	**31/12/2009**	31/12/2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**—**	—	**520**	764
PRC	**5,273**	4,458	**247,484**	221,948
	5,273	4,458	**248,004**	222,712

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended	
	31/12/2009	31/12/2008
	HK$'000	HK$'000
Customer A	**1,257**	N/A[1]
Customer B	**1,006**	N/A[1]
Customer C	**908**	N/A[1]
Customer D	**592**	897
Customer E	**N/A[1]**	599
Customer F	**N/A[1]**	490

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. Other Income

	2009 HK$'000	2008 HK$'000
Bank interest income	**132**	1,649
Sundry income	**930**	868
Government grant	**61**	98
Investment income	**—**	366
	1,123	2,981

8. Finance Costs

	2009 HK$'000	2008 HK$'000
Interest on bank loans wholly repayable within five years	**3,115**	150
Other borrowings	**303**	303
	3,418	453

9. Income Tax Credit

	2009 HK$'000	2008 HK$'000
Deferred tax credit (note 24):		
Current year	**—**	—
Overprovision in prior year	**—**	1,225
	—	1,225

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit.

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries operating in Hong Kong incurred tax loss for both years.

9. Income Tax Credit (Continued)

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation, followed by a 50% deduction for the next three years. A subsidiary established in Zhuhai, the PRC, is under 50% deduction in tax rate for both years.

With effect from 1 January 2008, the tax rate was unified for both domestic and foreign investment enterprises at the rate of 25%. In addition, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate of the subsidiary established in Zhuhai Special Administrative Region from 15% to 18%, 20%, 22%, 24% and 25% for the year ending 31 December 2008, 2009, 2010, 2011, 2012 respectively for the subsidiary of the Company. The applicable tax rate for the subsidiary of the Company during the year is 20% (2008: 18%).

No provision for PRC income tax has been made as all of the PRC subsidiaries are not profit-marking for both years.

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before tax	**(44,332)**	(36,968)
Tax credit at domestic tax rate of 25% (2008: 25%)	**(11,083)**	(9,242)
Tax effect of expenses not deductible for tax purpose	**4,819**	1,657
Tax effect of income not taxable for tax purpose	**(177)**	(533)
Tax effect of tax losses not recognised as deferred tax asset	**5,823**	7,294
Tax effect of tax exemption granted to PRC subsidiaries	**—**	64
Overprovision for deferred tax liabilities in prior year	**—**	(1,225)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**618**	760
Income tax credit for the year	**—**	(1,225)

10. Loss for the Year

	2009 HK$'000	2008 HK$'000
Loss for the year has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**2,112**	918
Depreciation of property, plant and equipment	**3,179**	2,443
	5,291	3,361
Auditor's remuneration	**1,175**	1,209
Write off of projects development costs (included in administrative and other operating expenses)	**2,798**	4,240
Impairment loss on prepayments for project development (included in administrative and other operating expenses)	**14,318**	—
Staff costs including directors' emoluments	**11,305**	17,155
Cost of inventories recognised as an expense	**2,803**	2,509
Exchange loss	**—**	1,432

11. Directors' Emoluments

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

	Ma Xiaoling HK$'000	Chan Sze Hon HK$'000	Carl, Ching Men Ky HK$'000	Lin Ruei Min HK$'000	Laurence Shu Wa Tung HK$'000	Chan Siu Mun HK$'000	2009 HK$'000
Fees	—	250	240	240	240	—	970
Other emoluments							
Salaries and other benefits	1,750	—	—	—	—	1,040	2,790
Contribution to retirement benefits schemes	—	—	—	—	—	12	12
Total emoluments	1,750	250	240	240	240	1,052	3,772

11. Directors' Emoluments (Continued)

	Ma Xiaoling HK$'000	Chan Sze Hon HK$'000	Carl, Ching Men Ky HK$'000	Lin Ruei Min HK$'000	Laurence Shu Wa Tung HK$'000	Chan Siu Mun HK$'000	2008 HK$'000
Fees	—	300	240	240	240	—	1,020
Other emoluments							
Salaries and other benefits	2,358	320	—	—	—	770	3,448
Contribution to retirement benefits schemes	—	2	—	—	—	10	12
Total emoluments	2,358	622	240	240	240	780	4,480

No director waived any emoluments in the years ended 31 December 2009 and 2008.

12. Employees' Emoluments

Two (2008: two) of the five individuals with the highest emoluments in the Group are directors of the Company whose emoluments are included in disclosures in note 11 above. The aggregate emoluments of the remaining three (2008: three) are as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**2,000**	6,249
Contributions to retirement benefit scheme	**—**	—
	2,000	6,249

Their emoluments were within the following bands:

	2009 No. of employees	2008 No. of employees
HK$ nil to HK$1,000,000	**3**	—
HK$1,000,001 to HK$1,500,000	**—**	2
HK$3,500,001 to HK$4,000,000	**—**	1

13. Loss Per Share — Basic

The calculation of the basic loss per share is based on the loss attributable to owners of the Company of HK$44,129,000 (2008: HK$35,458,000) and 299,847,000 shares (2008: 299,847,000 shares) in issue during the year.

No diluted earnings per share has been presented because the Company has no potential ordinary shares outstanding in both years.

14. Property, Plant and Equipment

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Warehouse under construction HK$'000	Total HK$'000
COST						
At 1 January 2008	8,171	1,509	1,706	1,890	—	13,276
Exchange realignment	511	94	35	145	—	785
Additions	117	243	929	4,725	56,312	62,326
At 31 December 2008 and 1 January 2009	8,799	1,846	2,670	6,760	56,312	76,387
Additions	2,584	160	639	—	46,014	49,397
At 31 December 2009	11,383	2,006	3,309	6,760	102,326	125,784
DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	2,179	584	396	579	—	3,738
Exchange realignment	136	37	15	64	—	252
Provided for the year	457	235	500	1,251	—	2,443
At 31 December 2008 and 1 January 2009	2,772	856	911	1,894	—	6,433
Provided for the year	553	291	704	1,631	—	3,179
At 31 December 2009	3,325	1,147	1,615	3,525	—	9,612
CARRYING VALUES						
At 31 December 2009	8,058	859	1,694	3,235	102,326	116,172
At 31 December 2008	6,027	990	1,759	4,866	56,312	69,954

14. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment other than warehouse under construction are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of remaining unexpired terms of the leases and 5%
Plant and machinery	10%-20%
Furnitures, fixtures and equipment	10%-33%
Motor vehicles	20%

The buildings are situated on a piece of land in the PRC held under a medium-term land use right.

The warehouse under construction represents warehouse in the PRC for the Group's own use.

15. Prepaid Lease Payments

The Group's prepaid lease payments represents payment for medium-term land use rights in the PRC and is charged to the profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

	2009 HK$'000	2008 HK$'000
At 1 January	**91,011**	32,578
Exchange realignment	**—**	2,670
Addition during the year	**11,890**	56,681
Amortisation during the year	**(2,112)**	(918)
At 31 December	**100,789**	91,011
Analysed for reporting purposes as:		
Current assets	**2,128**	1,935
Non-current assets	**98,661**	89,076
	100,789	91,011

During the year ended 31 December 2009, the Group acquired buildings situated on a piece of land in Beijing, the PRC, held under a medium-term land use rights for a consideration HK$11,890,000 which was paid in 2008.

The Group settled the remaining unpaid amount of HK$10,945,000 for prepaid lease payments acquired in last year.

16. Available-for-sale Investments

	2009 HK$'000	2008 HK$'000
At cost	**3,000**	3,000
Impairment loss	**(3,000)**	(3,000)
	—	—

At 31 December 2009 and 2008, the Group had unlisted equity interest in the following company:

Name of company	Country of incorporation/ operation	Class of capital held	Proportion of registered capital held in directly by the Company	Nature of business
Hunan Zhongrong Real Estate Development Company Limited 湖南中榮房地產開發有限公司	PRC	Registered capital	18%	Property development

The above unlisted investment is measured at cost less impairment at the end of reporting period because it does not have a quoted market price in active market and the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The investment was fully impaired in 2007 since the Group has lost contact with the investee.

17. Prepayments for Project Development

As at 31 December 2008, the amount represented prepayment of fee for designing the development site in connection with industrial development projects. The amount represented 20% of the total agreed consideration. The amount is fully impaired in current year as the project has been suspended by the management of the Group during the year.

18. Deposits for Acquisition of Land and Buildings

As at 31 December 2008, the amount represented deposits paid for acquiring land use rights on a piece of land located in Taicang, the PRC, of HK$33,171,000, and for acquiring offices located in Beijing, the PRC of HK$16,193,000.

During the year, an amount of HK$16,193,000 was transferred to property, plant and equipment and prepaid lease payments as a result of the completion of the acquisition of the offices located in Beijing, the PRC.

19. Goodwill

	2009 HK$'000	2008 HK$'000
COST		
At the beginning and at the end of the year	**15,369**	15,369
ACCUMULATED IMPAIRMENT LOSS		
At the beginning and at the end of the year	**15,369**	15,369
CARRYING AMOUNTS		
At the beginning and at the end of the year	**—**	—

20. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials	**—**	—
Finished goods	**29**	40
	29	40

21. Trade and Other Receivables

	2009 HK$'000	2008 HK$'000
Trade receivables	415	334
Other receivables	1,208	1,283
	1,623	1,617

The Group allows an average credit period of 30 days. The following is an aged analysis of trade receivables based on invoice date of the Group at the end of reporting period:

	2009 HK$'000	2008 HK$'000
0-60 days	415	242
61-90 days	—	92
	415	334

Before accepting any new customer, the Group has assessed the credit quality of each potential customer. In addition, the Group has reviewed repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

Included in the Group's trade recoverable are debtors with aggregate carrying amount of HK$22,000 (2008: HK$96,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 31 days (2008: 31 days).

Aging of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
0-30 days	—	4
31-60 days	22	92
	22	96

The trade receivables were subsequently settled after the end of the reporting period.

22. Bank Balances and Cash/Pledged Bank Deposit

All bank saving deposit balances with carrying amount of HK$44,767,000 (2008: HK$56,767,000) are interest bearing at commercial interest rates, and the effective interest rates of the Group's bank balances ranged from nil to 0.01% (2008: 1.0% to 2.6%) for both years. The pledged deposit as at 31 December 2009 of HK$6,818,000 carries fixed interest rate of 2.25% per annum. The pledged bank deposit will be released upon the settlement of relevant short-term bank borrowing.

23. Bank Loans

	2009 HK$'000	2008 HK$'000
Bank loans	**74,318**	2,273
Secured	**68,636**	2,273
Unsecured	**5,682**	—
	74,318	2,273
Carrying amount repayable:		
Within one year	**11,818**	2,273
More than one year, but not exceeding two years	**62,500**	—
	74,318	2,273
Less: Amounts due within one year shown under current liabilities	**(11,818)**	(2,273)
	62,500	—

The effective interest rates on the Group's fixed-rate bank loans for the year ended December 31, 2009 are ranged from 5.31% to 6.48% per annum.

The effective interest rate on the Group's fixed-rate bank loans for the year ended December 31, 2008 was 6.99% per annum.

The secured bank loans are secured by:

(a) Property, plant and equipment with the aggregate carrying amount of Nil (2008: HK$6,026,000) and prepaid lease payments with the aggregate carrying amount of HK$83,875,000 (2008: HK$3,649,000),

(b) Bank deposit amounted to HK$6,818,000 (2008: Nil).

(c) Personal guarantee from a minority shareholder of a subsidiary in respect of an amount of HK$Nil (2008: HK$2,273,000).

24. Deferred Tax Liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Property, plant and equipment HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2008	1,254	(88)	1,166
Exchange realignment	59	—	59
(Credit) charge to consolidated statement of comprehensive income	(1,228)	3	(1,225)
At 31 December 2008 and 1 January 2009	85	(85)	—
(Credit) charge to consolidated statement of comprehensive income	(38)	38	—
At 31 December 2009	**47**	**(47)**	**—**

At the end of reporting period, the Group has unused tax losses of HK$110,721,000 (2008: HK$84,955,000), available for offset against future profits. A deferred tax asset of HK$47,000 (2008: HK$85,000) has been recognised in respect of HK$282,000 (2008: HK$511,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$110,439,000 (2008: HK$84,444,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

25. Share Capital

	Number of shares '000	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.005 each at 1 January 2008, 31 December 2008 and 2009	421,978,000	2,109,890
Preference shares of HK$0.005 each at 1 January 2008, 31 December 2008 and 2009	22,000	110
Issued and fully paid:		
Ordinary shares of HK$0.005 each At 1 January 2008, 31 December 2008 and 1 January 2009 and 31 December 2009	299,847	1,499

26. Share Option Scheme

Pursuant to an ordinary resolution passed at a special general meeting of shareholders held on 22 April 2002, the Company adopted a share option scheme (the "Scheme") which enables the directors of the Company to grant options to employees (including directors) of the Group in recognition of their contribution to the Group. The Scheme will expire on 21 April 2012.

No option has been granted under the Scheme since its adoption.

27. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the bank balances and cash/pledged bank deposit (note 22), bank loans (note 23) and equity attributable to equity holders of the Company, comprising issued share capital, share premium, translation reserve and deficit.

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

28. Financial Instruments

28a. Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**53,435**	59,726
Financial liabilities		
Amortised cost	**89,436**	25,677

28b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, other payables, amounts due to a minority shareholder of subsidiaries, pledged bank deposit, bank balances and cash and bank loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and 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.

28. Financial Instruments (Continued)

28b. Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

There are no significant amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than functional currency of the relevant group entity. Management of the Group are of the opinion that the Group's exposure to foreign currency risk is minimal. Accordingly, no foreign currency risk sensitivity analysis is presented.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see note 23 for details) and fixed-rate amount due to a minority shareholder of subsidiaries (see note 32(a) for details) as at 31 December 2009 and 2008.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances as at December 2009 and 2008 (see note 22 for details).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank balances at the end of reporting period. The analysis is prepared assuming the amount of assets outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss before tax for the year ended 31 December 2009 would decrease by approximately HK$260,000 (2008: HK$290,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances as at 31 December 2009 and 2008.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate bank deposits.

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.

28. Financial Instruments (Continued)

28b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Credit risk *(Continued)*

The Group has concentration of credit risk as 40% (2008: 22%) of the total trade receivables was due from the Group's five largest customers within the fertilizers and chemicals segment. No trade receivable was due from the Group's largest customer as at the end of the reporting period.

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 the 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.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong and the PRC. The Group considers the credit risk of the bank balances is minimal as they are deposited with banks with high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans. The Group relies on bank loans and amounts due to a minority shareholder of subsidiaries as a significant source of liquidity. Details of which are set out in notes 23 and 32(a), respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities based on 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.

28. Financial Instruments (Continued)

28b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Liquidity table

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009							
Non-derivative financial liabilities							
Other payables	—	6,791	—	—	—	6,791	6,791
Bank loans							
— fixed rate	5.84%	—	—	12,134	—	12,134	11,818
— fixed rate	6.48%	—	—	—	68,403	68,403	62,500
Amount due to a minority shareholder of subsidiaries							
— fixed rate	6%	6,413	—	—	—	6,413	6,381
— non-interest bearing	—	1,946	—	—	—	1,946	1,946
		15,150	—	12,134	68,403	95,687	89,436

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008						
Non-derivative financial liabilities						
Other payables	—	15,525	—	—	15,525	15,525
Bank loans						
— fixed rate	6.99%	—	—	2,424	2,424	2,273
Amount due to a minority shareholder of subsidiaries						
— fixed rate	6%	6,108	—	—	6,108	6,078
— non-interest bearing	—	1,801	—	—	1,801	1,801
		23,434	—	2,424	25,858	25,677

28. Financial Instruments (Continued)

28c. Fair value

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

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

29. Operating Leases

The Group as lessee

	2009 HK$'000	2008 HK$'000
Minimum lease payments under operating leases in respect of office properties and motor vehicles	**1,657**	1,228

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

	2009 HK$'000	2008 HK$'000
Within one year	**592**	848
In second to fifth year inclusive	**—**	173
	592	1,021

Operating lease payments represent rentals payable by the Group for certain of its office properties and motor vehicles. Leases are negotiated for an average term of one year.

30. Capital Commitments

	2009 HK$'000	2008 HK$'000
Commitments in respect of the acquisition and construction of property, plant and equipment contracted for but not provided	**132,824**	147,401

31. Retirement Benefits Schemes

The Group is required to participate in a defined contribution scheme, the MPF Scheme, in respect of its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Both the Group and its employees contribute 5% of the relevant payroll costs to the MPF Scheme. The maximum contribution for each employee is limited to HK$12,000 per annum.

The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

Contributions to the retirement benefit schemes for the year amounted to HK$332,000 (2008: HK$272,000).

32. Related Party Transactions and Balances

(a) The amounts due to a minority shareholder of subsidiaries include a balance of HK$6,381,000 (2008: HK$6,078,000) which is unsecured, interest-bearing at 6% per annum and repayable on demand. The amount of interest expense incurred during the year is approximately HK$303,000 (2008: HK$303,000). The remaining balance is unsecured, non-interest bearing and repayable on demand.

(b) As at 31 December 2008, a minority shareholder of a subsidiary provided a guarantee, at no charge to the Group, to a bank for a bank loan of HK$2,273,000 granted to a subsidiary. No such guarantee was noted for the current year.

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year is HK$5,772,000 (2008: HK$10,729,000) disclosed in notes 11 and 12.

Financial Summary

	Year ended 31.12.2009 HK$'000	Year ended 31.12.2008 HK$'000	Year ended 31.12.2007 HK$'000	Year ended 31.12.2006 HK$'000	Year ended 31.12.2005 HK$'000
RESULTS					
Revenue	**5,273**	4,458	7,872	13,576	38,679
(Loss) profit for the year	**(44,332)**	(35,743)	(34,572)	96,834	43,157
Attributable to:					
Owners of the Company	**(44,129)**	(35,458)	(32,200)	98,422	43,341
Minority interests	**(203)**	(285)	(2,372)	(1,588)	(184)
	(44,332)	(35,743)	(34,572)	96,834	43,157

	31.12.2009 HK$'000	31.12.2008 HK$'000	31.12.2007 HK$'000	31.12.2006 HK$'000	31.12.2005 HK$'000
ASSETS AND LIABILITIES					
Total assets	**304,413**	284,986	294,032	615,510	368,809
Total liabilities	**(89,436)**	(25,677)	(14,442)	(299,407)	(168,485)
Minority interests	**(645)**	(848)	—	(17,115)	—
Equity attributable to owners of the Company	**214,332**	258,461	279,590	298,988	200,324