2009
Annual Report

GREENFIELD

GREENFIELD CHEMICAL HOLDINGS LIMITED

嘉 輝 化 工 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 582

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Hu Jun
Ms. Zhang Ying
Mr. Li Li
Mr. Zhang Yang

Independent Non-executive Directors

Mr. Lau Siu Ki, Kevin
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Remuneration Committee

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Audit Committee

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Wu Wing Kit
Dr. Chui Hong Sheung, *JP*

Company Secretary

Mr. Lee Sze Wai

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Legal Advisers

P. C. Woo & Co.
12th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

Robertsons
57th Floor
The Centre
99 Queen's Road Central
Hong Kong

Principal Banker

Standard Chartered Bank

Registered Office

P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business

15th Floor, Centre Point
181-185 Gloucester Road
Wanchai, Hong Kong

Principal Registrars

Butterfield Fund Services (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

Registrars in Hong Kong

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

582

Website of the Company

http://www.gch.hk

BIOGRAPHICAL DETAILS OF DIRECTORS

MR. HU JUN, aged 49, graduated from Southwest Jiaotong University in 1985. He engaged in technical work in an enterprise subordinated to the Ministry of Railways of the People's Republic of China after his graduation. He engaged in the business field since 1990 and worked as the Deputy General Manager of Beijing Huayue Electric Equipment Co., Ltd. (北京華躍電器設備公司), the Administrative Director of Beijing Huadu Cultural Entertainment Limited (北京花都文化娛樂有限公司) and the Deputy General Manager of Beijing Dongfang Wanbang Investment Consulting Co., Ltd. (北京東方萬邦投資顧問有限公司). He now works as the General Manager of Beijing Huicheng Real Estate Developing Co., Ltd. (北京慧誠房地產開發有限公司).

MS. ZHANG YING, aged 41, with a Bachelor's Degree in Financial Accounting. She worked as the Finance Supervisor of Beijing Tianan Industry and Commerce Company (北京天安實業總公司) during the period from 1989 to 1996. She works as the financial controller of Beijing Dongfang Wanbang Technology Development Limited (北京東方萬邦科技發展有限公司) since 1996 and Beijing Hanbang Guoxin International Group Co., Ltd (北京漢邦國信國際集團有限公司) since 2002. She has extensive experience in corporate finance, financial management, accounting and auditing field. She works as the Legal Representative of Beijing Huicheng Real Estate Developing Co., Ltd (北京慧誠房地產開發有限公司) since 2004.

MR. LI LI, aged 31, an undergraduate major in Computer Education and engaged in education discipline in Beijing Practical Arts Vocational School after his graduation in 2000. He engaged in the business field in 2002 and worked as the Manager of the Resources Department of Beijing Hongwei Industry & Trading Group (北京市宏偉工貿集團) and Deputy General Manager of Beijing Yonglian United Technology & Trading Company Limited (北京永聯聯合科貿有限責任公司).

MR. ZHANG YANG, aged 27, Bachelor of Financial and Applied Economics at Massey University. He worked as Analyst Assistant of Money World Financial Limited in 2002 and Regional Manager of Domino's Pizza from 2007 to 2008.

MR. LAU SIU KI, KEVIN, aged 51, was appointed as an Independent Non-executive Director on 9th April, 2002. Mr. Lau is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. Lau has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. Lau is a fellow member of both the ACCA and the Hong Kong Institute of Certified Public Accountants. Mr. Lau is also a member of the world council of ACCA and was the President of ACCA Hong Kong Branch in 2000/2001. Mr. Lau is currently the company secretary of Yeebo (International Holdings) Limited and Times Ltd. He is also an independent non-executive director of several other listed companies in Hong Kong.

MR. WU WING KIT, aged 53, was appointed as an Independent Non-executive Director on 9th April, 2002. He holds a Bachelor of Laws Degree from the University of Hong Kong and a Master of Law Degree from the City University of Hong Kong. Mr. Wu has been practicing as a solicitor in Hong Kong for more than 29 years. He is presently a partner of Fred Kan & Co. and is a notary public in Hong Kong and a China Appointed Attesting Officer.

DR. CHUI HONG SHEUNG, *JP*, aged 60, was appointed as an Independent Non-executive Director on 23rd August, 2004. He holds a Doctor of Philosophy Degree from The University of New South Wales. He is the President of the Hang Seng School of Commerce. For the past 20 years, Dr. Chui has taken up various leadership and management roles in different organizations such as church, District Cultural, Recreational, and Sports Associations, Hong Kong Association of Heads of Secondary Schools, Hong Kong Subsidised Secondary Schools Council, various committees of Education Department, Regional Council and District Council. Besides, he has undertaken researches on education, leadership and management. Dr. Chui received the Queen's Badge of Honour in 1991 in recognition of his contributions to the society and the Neil Andrew Johnson Award for Excellence in Research in Educational Administration from the University of New South Wales in 1995.

LETTER FROM THE BOARD

On behalf of the board of directors (the "Board") of Greenfield Chemical Holdings Limited (the "Company"), I have pleasure to report on the financial results, operations and other aspects of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2009.

Financial Results

For the year ended 31st December, 2009, the Group's revenue dropped by approximately 19.59% to HK$269,929,000 (2008: HK$335,697,000). However, the net profit attributable to shareholders of the Company increased by approximately 764.03% to HK$37,810,000 in comparison with that of HK$4,376,000 in 2008. Earnings per share increased from HK1.5 cents for last year to HK13.8 cents this year.

As at 31st December, 2009, the net asset value per share attributable to shareholders of the Company was HK$1.49 (2008: HK$1.30).

Dividend

The Board does not recommend the payment of a dividend for the year ended 31st December, 2009 (2008: Nil).

Management Discussion and Analysis

Review of Operations

The global financial tsunami in the late of 2008 hit the global economy badly and the demand for paints and petrochemical and related products dropped inevitably during the first half of 2009. Yet, with the expansionary monetary policies and various stimulus plans introduced by worldwide governments in the second half of 2009, the outlook for the market becoming increasingly positive.

In response to the challenges posed by the global financial crisis, the Group successfully consolidated its relationship with customers by providing better services, enhancing product quality and increasing the sale of high-yield products. At the same time, the Group endeavored on tighten stringent cost control, search for less expensive raw material, expand sources of supply, streamline the work and production process in order to improve operational efficiency and enhance the Group's competitiveness. In light of implementation of the policies by the management and decrease in price of crude oil, prices of other key raw materials and labour cost, the gross profit increased by approximately 88.01% to HK$83,250,000 (2008: HK$44,278,000). Combined with contribution of interest income of the loans receivable arising from consolidation and restructuring of debts as announced on 5th December, 2008, the profit for the period attributable to shareholders substantially increased by approximately 764.03% to HK$37,810,000 (2008: HK$4,376,000).

Outlook

There are cautious signs that the global economy is recovering from the financial tsunami but the business environment in the year 2010 remains to be challenging. However, having a strong and healthy financial position, the Group is confident in its future business development and will continue to search for good investment opportunities in order to maximize returns for shareholders.

Meanwhile, the management has commenced a review on the existing businesses in manufacturing of paints and trading in petrochemical and related products and assets of the Group, for the purpose of formulating new business plans and strategies for the future business development of the Group. Subject to the result of review and should any suitable business opportunity arise, the Group may change its existing business activities and redeploy any assets of the Group. The management will from time to time seek for investment opportunity in promising industry that could provide investment potential and broaden the income base of the Group.

Financial Resources, Borrowings and Capital Structure

As at 31st December, 2009, the Group's non-current assets amounted to HK$352,851,000 (2008: HK$329,097,000) and net current assets amounted to HK$229,009,000 (2008: HK$207,198,000) with a current ratio of 6.5 (2008:8.0) calculated on the basis of the Group's current assets over current liabilities.

During the year ended 31st December, 2009, the Group had no borrowings outstanding. The Group has sufficient cash surplus to finance operation from internally generated cash flow. The Group maintained a satisfactory financial position derived from the steady growth of its business. As at 31st December, 2009, the Group had bank balances and cash of HK$165,498,000 (2008: HK$106,945,000).

Exposure to Foreign Exchange Risk

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

Employee and Remuneration Policies

As at 31st December, 2009, the Group had around 1,000 full-time employees. They included management and administrative staff and production workers. Most of them were stationed in Mainland China while the rest were in Hong Kong. The remuneration, promotion and salary increments of employees are assessed according to individual performance, as well as professional and working experience, and in accordance with prevalent industry practices.

Change of Control of the Company and Mandatory General Offer

i. True Focus Limited

On 4th September, 2009, True Focus Limited ("True Focus", a wholly owned subsidiary of COL Capital Limited) entered into the sales and purchase agreement with Jumbo Hill Group Limited and Mulpha Strategic Limited to acquire the entire interests of the Company's immediate holding company, Pacific Orchid Investments Limited, which owned 68.72% equity interests of the Company, with a consideration of HK$281,250,000. True Focus was required under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") to make a mandatory general cash offer to acquire all the issued shares not already owned or agreed to be acquired by True Focus or parties acting in concert with it. The offer was closed on 30th October, 2009.

ii Hong Han Limited

On 4th December, 2009, Hong Han Limited ("Hong Han") entered into the sales and purchase agreement with Pacific Orchid Investments Limited to acquire 140,000,000 Shares, representing approximately 51.31% of the entire issued share capital of the Company, with a consideration of $294,000,000. Hong Han was required under the Takeovers Code to make a mandatory general cash offer to acquire all the issued shares not already owned or agreed to be acquired by Hong Han or parties acting in concert with it. The offer was closed on 21st January, 2010.

Appreciation

On behalf of the Board, I would like to convey its sincere gratitude to our employees for their diligence and contributions to the Group. I would also like to acknowledge the continual support of our customers, suppliers and shareholders during the year of 2009.

For and on behalf of the Board
Li Li
Executive Director

Hong Kong, 23th April 2010

DIRECTORS' REPORT

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

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 32 and 13 to the consolidated financial statements, respectively.

Results and Appropriations

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 20.

The directors do not recommend the payment of any dividend and propose that profit for the year be retained.

Property, Plant and Equipment

During the year, the Group spent approximately HK$3,460,000 on property, plant and equipment.

Details of movements in the property, plant and equipment of the Group during the year are set out in note 11 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company are set out in note 22 to the consolidated financial statements.

During the year, the Company repurchased certain of its own ordinary shares through The Stock Exchange of Hong Kong Limited, details of which are set out in note 22 to the consolidated financial statements. The directors considered that, as the Company's ordinary shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders as at 31st December, 2009 were as follows:

	2009	2008
	HK$'000	HK$'000
Share premium	**100,853**	121,293
Contributed surplus	**119,071**	119,071
Retained profits	**41,587**	48,192
	261,511	288,556

DIRECTORS' REPORT

Summary of Financial Information

A summary of the results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 64.

Directors

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

Executive Directors:

Mr. Hu Jun	(appointed on 21st January, 2010)
Ms. Zhang Ying	(appointed on 21st January, 2010)
Mr. Li Li	(appointed on 21st January, 2010)
Mr. Zhang Yang	(appointed on 21st January, 2010)
Mr. Lau Yau Cheung	(resigned on 21st January, 2010)
Mr. Tsui Robert Che Kwong	(resigned on 25th November, 2009)
Mr. Kong Muk Yin	(appointed on 13th October, 2009 and resigned on 21st January, 2010)
Dato' Wong Peng Chong	(appointed on 13th October, 2009 and resigned on 21st January, 2010)

Non-executive Directors:

Mr. Chung Tze Hien	(resigned on 5th November, 2009)
Mr. Ng Seng Nam	(resigned on 5th November, 2009)

Independent Non-executive Directors:

Mr. Lau Siu Ki, Kevin
Mr. Wu Wing Kit
Dr. Chui Hong Sheung

In accordance with Article 99 of the Company's Articles of Association, Mr. Hu Jun, Ms. Zhang Ying, Mr. Li Li and Mr. Zhang Yang are to hold office until forthcoming annual general meeting and, being eligible, offer themselve for re-election.

In accordance with Article 116 of the Company's Articles of Association, Mr. Wu Wing Kit retire by rotation and, being eligible, offer themselves for re-election.

The non-executive directors have no set term of office but are subject to retirement by rotation and are eligible for re-election, in accordance with the Company's Articles of Association.

Directors' Service Contracts

No director 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, Underlying Shares and Debentures

At 31st December, 2009, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Name of director	**Corporate interests**	**Percentage of the issued share capital held**
Mr. Lau Yau Cheung ("Mr. Lau", resigned on 21st January, 2010)	4,500,000	1.65%

Note: The shares were held by BH Equities Limited, a company wholly owned by Mr. Lau.

The interests stated above represent long positions. Other than as disclosed above, none of the directors, chief executive and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as at 31st December, 2009.

Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, or any of its holding companies, its subsidiaries or fellow 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 and any other body corporate.

Directors' Interests in Contracts

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries or fellow 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.

Substantial Shareholders

As at 31st December, 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

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

Notes:

1. Hong Han is wholly and beneficially owned by each of Mr. Wan and Ms. Liu as to 50% respectively. Mr. Wan and Ms. Liu are therefore deemed to be interested in the Shares held by Hong Han Limited.

2. True Focus Limited owns 13,510,000 Shares. Pacific Orchid Investments Limited, a wholly-owned subsidiary of True Focus Limited, owns 4,500,000 Shares. True Focus Limited is therefore deemed to be interested in 18,010,000 Shares.

3. True Focus Limited is wholly-owned by Besford International Limited. Besford International Limited is a wholly owned subsidiary of COL Capital Limited. Besford International Limited and COL Capital Limited are therefore deemed to be interested in 18,010,000 Shares.

4. COL Capital Limited is beneficially owned by Vigor Online Offshore Limited as to approximately 64.33%. Vigor Online Offshore Limited is a wholly-owned subsidiary of China Spirit Limited, a company wholly and beneficially owned by Ms. Chong Sok Un. Vigor Online Offshore Limited, China Spirit Limited and Ms. Chong Sok Un are therefore deemed to be interested in 18,010,000 Shares.

All the interests stated above represent long positions. Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2009.

Confirmation of Independence of Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Connected Transaction

On 18th February, 2010, Guangzhou Springfield Chemical Company Limited ("Springfield"), a non-wholly owned subsidiary, entered into a sale and purchase agreement ("S&P Agreement") with Zengcheng City Fuheyuan Farm Limited 增城市福和園農莊有限公司 ("City Fuheyuan"), a company incorporated in the PRC and indirectly owned by Mr. Yuen Shu Wah ("Mr. Yuen"). Pursuant to the S&P Agreement, Springfield has agreed to purchase and City Fuheyuan has agreed to sell a property situated in the PRC for a consideration of RMB18,000,000 (approximately HK$20,451,000). Mr. Yuen is a former director of the Company and existing director of certain non-wholly owned subsidiaries of the Company. This transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transactions were disclosed in the announcement of the Company on 18th February, 2010.

As at the date of the S&P Agreement, the Company has received a written approval of the Acquisition from Hong Han, a controlling shareholder of the Company holding approximately 51.31% in nominal value of the issued shares of the Company giving the right to attend and vote at the general meeting of the Company. Hong Han has given irrevocable and unconditional approval of the Acquisition and the transactions contemplated. The Company has obtained a waiver from the requirement to hold a general meeting of the Company to approve the Acquisition from the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules. Accordingly, the Acquisition has been duly approved and passed by the Shareholders and a general meeting of the Company to approve the Acquisition is no longer required under the Listing Rules.

At the date of this report, the transaction is still subject to certain conditions to be fulfilled on or before 30th June, 2010.

Other than as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

Major Customers and Suppliers

During the year, 16.77% of the Group's sales was attributable to the Group's five largest customers.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for approximately 6.33% and 20.99%, respectively.

Retirement Benefits Schemes

Information on the retirement benefits schemes of the Group is set out in note 28 to the consolidated financial statements.

Emolument Policy

The emolument policy of the employees of the Group is set out by the management of the Group on the basis of 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.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, 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 31st December, 2009.

Charitable Donations

During the year, the Group made charitable donations amounting to approximately HK$2,790,000.

Auditor

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

On behalf of the Board

Li Li
Executive Director

23th April, 2010

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") is committed to upholding a high standard of corporate governance practices and business ethics in the belief that they are essential for maintaining and promoting investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements (both locally and internationally), and to fulfill its commitment to excellence in corporate governance.

The Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") came into effect on 1st January, 2005. The CG Code sets out two levels of corporate governance practices namely, mandatory code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance. The Company is in compliance with the mandatory code provisions of the CG Code except for certain areas of non-compliance that are discussed later in this report.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by the directors of the Company (the "Directors"). Having made specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31st December, 2009.

The Board

The Board is charged with overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders. Roles of the Board include reviewing and guiding corporate strategies and policies, monitoring financial and operating performance and setting appropriate risk management policies.

The primary role of the Board is to oversee how management serves the interests of shareholders and other stakeholders. To do this, the Board has adopted corporate governance principles aimed at ensuring that the Board is independent and fully informed on the key strategic issues facing the Company. As at the date of this report, the Board comprises four executive directors and three independent non-executive directors.

The Board members have no financial, business, family or other material relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended best practice under the CG Code for the Board to have at least one-third in number of its members comprising independent non-executive directors. At least one of the independent non-executive directors has appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The brief biographical details of the Directors are set out in page 3, which demonstrates a diversity of skills, expertise, experience and qualifications. The Company has received from the three independent non-executive directors annual confirmations of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

The Board has appointed Board Committees to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report.

Board of Directors	Audit Committee	Remuneration Committee
Executive Directors:		
Mr. Hu Jun (appointed on 21st January, 2010)	—	—
Ms. Zhang Ying (appointed on 21st January, 2010)	—	—
Mr. Li Li (appointed on 21st January, 2010)	—	—
Mr. Zhang Yang (appointed on 21st January, 2010)	—	—
Mr. Lau Yau Cheung (resigned on 21st January, 2010)	—	—
Mr. Tsui Robert Che Kwong (resigned on 25th November, 2009)	—	—
Mr. Kong Muk Yin (appointed on 13th October, 2009 and resigned on 21st January, 2010)	—	—
Dato' Wong Peng Chong (appointed on 13th October, 2009 and resigned on 21st January, 2010)	—	—
Non-executive Directors:		
Mr. Chung Tze Hien (resigned on 5th November, 2009)	—	—
Mr. Ng Seng Nam (resigned on 5th November, 2009)	—	—
Independent Non-executive Directors:		
Mr. Lau Siu Ki, Kevin	✓	✓
Mr. Wu Wing Kit	✓	✓
Dr. Chui Hong Sheung	✓	✓

Regular Board meetings are scheduled in advance to facilitate fullest possible attendance. The company secretary assists the executive directors in setting the agenda of Board meetings and each director is invited to present any businesses that he wishes to discuss or propose at such meetings. Board papers are circulated to all Directors within reasonable time before the Board meetings to ensure timely access to relevant information. Directors may choose to take independent professional advice if necessary. Draft and final versions of minutes are circulated to all Directors for comments. The Company held four Board meetings in 2009. Attendance of the Board meetings are as follows:

Name of Directors	Number of Board meetings attended
Mr. Lau Yau Cheung (resigned on 21st January, 2010)	4/4
Mr. Tsui Robert Che Kwong (resigned on 25th November, 2009)	2/2
Mr. Kong Muk Yin (appointed on 13th October, 2009 and resigned on 21st January, 2010)	2/2
Dato' Wong Peng Chong (appointed on 13th October, 2009 and resigned on 21st January, 2010)	2/2
Mr. Chung Tze Hien (resigned on 5th November, 2009)	1/2
Mr. Ng Seng Nam (resigned on 5th November, 2009)	1/2
Mr. Lau Siu Ki, Kevin	4/4
Mr. Wu Wing Kit	4/4
Dr. Chui Hong Sheung	3/4

Remuneration Committee

The Remuneration Committee comprises the three independent non-executive directors: Mr. Lau Siu Ki (Committee Chairman), Mr. Wu Wing Kit and Dr. Chui Hong Sheung.

The written terms of reference stipulating the authority and duties of the Remuneration Committee were adopted on 15th September, 2005 which conform to the provisions of the CG Code.

The Remuneration Committee's major roles are to make recommendations to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders. The principal duties of the Remuneration Committee include determining the specific remuneration packages to all executive directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

During the year, one meeting was held by the Remuneration Committee and attended by all members to review and discuss the Company's policy and structure of remuneration of the Directors.

Audit Committee

The Audit Committee comprises the three independent non-executive directors: Mr. Lau Siu Ki (Committee Chairman), Mr. Wu Wing Kit and Dr. Chui Hong Sheung.

The written terms of reference stipulating the authority and duties of the Audit Committee were adopted in 2002 and subsequently amended in 2005 to conform to the provisions of the CG Code.

The Audit Committee reviews and supervises the Group's financial reporting and internal control systems. It has reviewed with the management and the external auditors the accounting principles and practices adopted by the Group and has discussed auditing, internal controls and financial reporting matters.

During the year, two meetings were held by the Audit Committee and attended by all members to review and discuss the financial reporting matters, including the review of the interim and annual financial statements.

Code of Ethics and Securities Transactions ("Code of Ethics")

The Company adopted the Code of Ethics on 21st December, 2005 as written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealing in the securities of the Company.

Deviations from Code on Corporate Governance Practices

The Company has complied with the CG Code except for the following deviation:

Code provision A.4.1

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

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

Directors' Responsibility for the Group's Financial Reporting

The Directors are responsible for the preparation of financial statements of the Group which give a true and fair view, and are prepared in accordance with the relevant statutory requirements and applicable accounting standards in force, and are published in a timely manner. The Directors are responsible for selecting and applying on a consistent basis suitable accounting policies and ensuring timely adoption of Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards.

The Board understands the importance of presenting a clear and comprehensive assessment of the Group's overall performance, financial positions as well as prospects in a timely manner; and the Board is pleased to report that, so far, the annual and interim results of the Group are announced within the four months and three months limit respectively after the end of the relevant periods.

Internal Control

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Group at all times. The system of internal control aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives are being sought. Management has conducted regular reviews during the year on the effectiveness of the internal control system covering all material controls in area of financial, operational and compliance controls, various functions for risks management as well as physical and information systems security. The Audit Committee reviews internal control issues identified by external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems. The Audit Committee in turn reports any material issues to the Board.

External Auditor

The Report of the Auditor of the Company, Deloitte Touche Tohmatsu, in respect of the audit of the Group's financial statements for the year is set out on pages 18 to 19 of the annual report. The Board takes steps in ensuring continuing auditor's objectivity and independence.

During the year under review, the remuneration paid or payable to the Company's auditor, Messrs Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fees paid/payable** HK$
Audit services	660,000
Non-audit services	757,000
	1,417,000

Deloitte.
德勤

TO THE MEMBERS OF GREENFIELD CHEMICAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Greenfield Chemical Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 63, which comprise the consolidated statement of financial position as at 31st December, 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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 31st December, 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23th April, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	5	**269,929**	335,697
Cost of sales		**(186,679)**	(291,419)
Gross profit		**83,250**	44,278
Other income		**32,358**	22,800
Distribution and selling expenses		**(23,715)**	(16,235)
Administrative expenses		**(56,452)**	(50,622)
Share of profits of associates		**42,051**	18,009
Profit before taxation	7	**77,492**	18,230
Taxation	8	**(9,068)**	(3,326)
Profit for the year		**68,424**	14,904
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**295**	9,570
Total comprehensive income for the year		**68,719**	24,474
Profit for the year attributable to:			
Owners of the Company		**37,810**	4,376
Minority interests		**30,614**	10,528
		68,424	14,904
Total comprehensive income attributable to:			
Owners of the Company		**37,956**	8,941
Minority interests		**30,763**	15,533
		68,719	24,474
Earnings per share, basic	10	**HK13.8 cents**	HK1.5 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**74,163**	83,232
Prepaid lease payments	12	**13,567**	13,885
Interests in associates	13	**105,893**	72,752
Available-for-sale investments	14	**10**	10
Loans receivable	15	**159,055**	159,055
Deferred tax assets	16	**163**	163
		352,851	329,097
CURRENT ASSETS			
Prepaid lease payments	12	**340**	340
Inventories	17	**21,572**	29,745
Trade and other receivables	18	**82,923**	84,596
Advance to an associate	19	**—**	10,000
Dividend receivable from an associate	19	**—**	4,500
Tax recoverable		**452**	511
Bank balances and cash	20	**165,498**	106,945
		270,785	236,637
CURRENT LIABILITIES			
Trade and other payables	21	**38,296**	29,439
Tax payable		**3,480**	—
		41,776	29,439
NET CURRENT ASSETS		**229,009**	207,198
TOTAL ASSETS LESS CURRENT LIABILITIES		**581,860**	536,295
CAPITAL AND RESERVES			
Share capital	22	**27,286**	30,000
Reserves		**378,684**	361,168
Equity attributable to owners of the Company		**405,970**	391,168
Minority interests		**175,890**	145,127
Total equity		**581,860**	536,295

The consolidated financial statements on pages 20 to 63 were approved and authorised for issue by the Board of Directors on 23th April, 2010 and are signed on its behalf by:

LI LI
DIRECTOR

ZHANG YANG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2009

	Attributable to owners of the Company								
	Share capital HK$'000	**Share premium** HK$'000	**Special reserve** HK$'000 (note a)	**Translation reserve** HK$'000	**Non-distributable reserve** HK$'000 (note b)	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total equity** HK$'000
At 1st January, 2008	30,000	121,293	32,000	9,042	5,769	202,123	400,227	133,514	533,741
Exchange differences arising from translation of foreign operations	–	–	–	4,565	–	–	4,565	5,005	9,570
Profit for the year	–	–	–	–	–	4,376	4,376	10,528	14,904
Total comprehensive income for the year	–	–	–	4,565	–	4,376	8,941	15,533	24,474
Dividends recognised as distribution (note 9)	–	–	–	–	–	(18,000)	(18,000)	–	(18,000)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(3,920)	(3,920)
At 31st December, 2008	30,000	121,293	32,000	13,607	5,769	188,499	391,168	145,127	536,295
Exchange differences arising from translation of foreign operations	–	–	–	146	–	–	146	149	295
Profit for the year	–	–	–	–	–	37,810	37,810	30,614	68,424
Total comprehensive income for the year	–	–	–	146	–	37,810	37,956	30,763	68,719
Shares repurchased and cancelled	(2,714)	(20,440)	–	–	–	–	(23,154)	–	(23,154)
Transfer	–	–	–	–	358	(358)	–	–	–
At 31st December, 2009	27,286	100,853	32,000	13,753	6,127	225,951	405,970	175,890	581,860

Notes:

(a) The special reserve of the Group represents the nominal values of 32,000,000 non-voting class A shares of HK$1 each issued by a subsidiary of the Company to its then shareholders prior to a group reorganisation in 2002.

(b) The non-distributable reserve of the Group mainly represents statutory reserve requirement that the foreign investment enterprises appropriated 10% of the profit after taxation of the subsidiaries of the Company registered in the People's Republic of China other than Hong Kong (the "PRC") to the non-distributable reserve under the PRC laws and regulations until the transferred amount met 50% of the registered capital of these PRC subsidiaries. No transfer was noted for the year ended 31st December, 2008, as the PRC subsidiaries had already transferred an amount equal to 50% of its relevant registered capital to non-distributable reserve in prior years or no profit after taxation was generated for the periods.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	77,492	18,230
Adjustments for:		
Impairment losses on trade receivables	1,083	2,185
Amortisation of prepaid lease payments	340	329
Depreciation of property, plant and equipment	10,790	13,215
Loss on disposal of property, plant and equipment	253	230
Interest income	(16,830)	(5,281)
Share of profits of associates	(42,051)	(18,009)
Operating cash flows before movements in working capital	31,077	10,899
Decrease in inventories	8,173	6,874
Decrease in trade and other receivables	4,744	18,380
Increase (decrease) in trade and other payables	8,857	(26,689)
Decrease in amounts due to related companies	—	(75)
Cash generated from operations	52,851	9,389
Income tax paid	(5,529)	(2,743)
NET CASH FROM OPERATING ACTIVITIES	47,322	6,646
INVESTING ACTIVITIES		
Increase in loans receivable	—	(59,055)
Purchase of property, plant and equipment	(3,460)	(8,265)
Repayment from an associate	10,000	8,566
Dividend received from associates	13,500	4,500
Interest received	12,676	3,911
Proceeds from disposal of property, plant and equipment	1,599	164
NET CASH FROM (USED IN) INVESTING ACTIVITIES	34,315	(50,179)
FINANCING ACTIVITIES		
Dividends paid to minority shareholders of subsidiaries	—	(3,920)
Dividends paid	—	(18,000)
Repayment to a minority shareholder	—	(2,430)
Payment on repurchase of shares	(23,154)	—
CASH USED IN FINANCING ACTIVITIES	(23,154)	(24,350)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	58,483	(67,883)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	106,945	173,948
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	70	880
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	165,498	106,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2009

1. General

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From 1st January, 2009 to 3rd September, 2009, the Company's immediate holding company was Pacific Orchid Investments Limited, a company incorporated in the BVI, and its ultimate holding company was Mulpha International Bhd., a company incorporated in Malaysia. On 4th September, 2009, COL Capital Limited acquired the entire interests of the Company's immediate holding company, Pacific Orchid Investments Limited, which owned 68.72% equity interests of the Company. The ultimate holding company of the Company became COL Capital Limited.

On 9th December, 2009, COL Capital Limited disposed of its 51.31% equity interests in the Company to Hong Han Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Wan Zhongbo and Ms. Liu Jia as to 50% each. From 9th December, 2009 up to the date these consolidated financial statements were authorised for issue, the Company's immediate holding company and ultimate holding company is Hong Han Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 32 and 13, respectively.

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

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

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

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — 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 amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

Except as described below, the adoption of these New and Revised HKFRSs has had no material effect on the consolidated financial statements of the Group 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 consolidated financial statements.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's reportable segment nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities (see note 5).

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument[5]

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

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

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st 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 1st 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 Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leases were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis.

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or 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 in 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.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production of goods, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Construction in progress represents property, plant and equipment in the course of construction for production and administrative purposes. Construction in progress is carried at cost less any identified impairment loss. Construction in progress is classified 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, plant and equipment, 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.

Investments in associates

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

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

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

Impairment loss on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 impairment loss, if any. An impairment loss is recognised in the profit or loss 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 in the profit or loss immediately.

3. Significant Accounting Policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on 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 classified into one of the two categories, including loans and receivables and available-for-sale financial assets. 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 timeframe established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for 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 the reporting period subsequent to initial recognition, the Group's loans and receivables (including loans receivable, advance to an associate, trade and other receivables, dividend receivable from an associate and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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.

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 are measured at cost less any identified impairment loss at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Convertible instruments

Convertible instruments held by the Group, which are the combined instruments that contain both the loans receivable and conversion option component, are classified separately into respective items on initial recognition. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

If the derivative component that is required to be separated cannot be reliably measured because it will be settled by an unquoted equity instrument whose fair value cannot be reliably measured, the combined instrument is measured at fair value. However, if the derivative component of the convertible bonds is sufficiently significant to preclude it from obtaining a reliable estimate of fair value of the combined instrument, the combined instrument is measured at cost less impairment.

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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- 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 assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of trade 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, observable changes in national or local economic conditions that correlate with default on trade receivables.

For loans and receivables, 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 trade 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.

For loans and receivables, 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 entity 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 (including all fee 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Effective interest method (Continued)

Financial liabilities

The Group's financial liabilities (including trade and other payables) 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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

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

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

Inventories

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

3. Significant Accounting Policies (Continued)

Revenue recognition

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

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

Management fee income and royalty fee income is recognised when services are provided.

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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Retirement benefits costs

Payments to the defined contribution retirement benefits plan, including Occupational Retirement Scheme (the "ORSO Scheme"), the Mandatory Provident Fund Scheme ("MPF Scheme") and the state-managed retirement benefit scheme, are charged as expenses when employees have rendered service entitling them to the contributions.

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 lessee

Operating leases 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.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

3. Significant Accounting Policies (Continued)

Prepaid lease payments

Prepaid lease payments represent the up-front payments to lease medium-term leasehold land interests in the PRC and are charged to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant leases.

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the 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 statement of comprehensive income items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position 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 the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 calculated at the tax rates that are expected to apply in the period when 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 to equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

3. Significant Accounting Policies (Continued)

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 its 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in 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 foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, 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). Such exchange difference will be reclassified from equity to profit or loss in the period in which the disposal of foreign operation is disposed of.

4. Key Sources of Estimation Uncertainty and Management Judgement

In the process of applying the Group's accounting policies, management has made the following estimates and judgement that have significant effect on the amounts recognised in the consolidated financial statements:

Taxation

During the year ended 31st December, 2006, the Hong Kong Inland Revenue Department (the "IRD") issued additional assessments in aggregate of approximately HK$11,001,000 relating to certain previous years of assessment, details of which are set out in note 8. Income tax expense of HK$10,000,000 was recognised against the payment for tax reserve certificates in that year, and the remaining amount of HK$1,001,000 was included in tax recoverable as at 31st December, 2008 and 31st December, 2009. As the ultimate outcome of the additional assessments remain undetermined, the tax amount that would otherwise become payable or recoverable may change.

Sufficiency of the security of loans receivable

Management regularly reviews the recoverability of loans receivable. In determining the estimated impairment of loans receivable, management has considered the sufficiency of security of loans receivable from Winfame Investment Limited ("Winfame") and New Gold International Limited ("New Gold"). The loans receivable is secured by the pledge of the entire issued share capital of Winfame, Winfame's equity interest in New Gold and all assets, property, undertaking, rights and revenues of New Gold were charged to the Group under a fixed and floating charge. The loans receivable is also under personal guarantee provided by a shareholder of Winfame. Where the underlying assets of Winfame and New Gold are disposed of or transferred out or the shareholder of Winfame could not provide sufficient guarantee to cover the full amount of this loans receivables, a material impairment loss may arise. As at 31st December, 2009, the carrying amount of loans receivable is HK$159,055,000 (2008: HK$159,055,000). Details of the loans receivable are set out in note 15.

5. Revenue and Segmental Information

Revenue represents the amounts received and receivable for goods sold, net of discount and sales related taxes, during the year.

The Group has adopted HKFRS 8 "Operating segments" with effect from 1st January, 2009. HKFRS 8 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, represented by the board of directors of the Company, in order to allocate resources to segments and to assess 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 return approach. In the past, the Group's primary reporting format was geographical segment (based on location of customers).

The Group is principally engaged in manufacturing and trading of liquid coatings, powder coatings and solvents. The Group's chief operating decision maker makes its decision on allocation of resources and assessment of performance based on geographical segments determined on the basis of location of customers, which is the same as the geographical segment (based on location of customers) previously disclosed under HKAS 14. Therefore, the application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss, assets or liabilities.

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

2009

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External sales	103,579	166,350	269,929
RESULTS			
Segment results	15,871	29,869	45,740
Interest income			16,830
Unallocated corporate income			8,526
Unallocated corporate expenses			(35,655)
Share of profits of associates			42,051
Profit before taxation			77,492
TOTAL ASSETS			
Segment assets — trade receivables	21,962	48,436	70,398
Other assets			553,238
			623,636
OTHER INFORMATION			
Impairment losses on trade receivables recognised	178	905	1,083

5. Revenue and Segmental Information (Continued)

2008

	Hong Kong HK$'000	The PRC HK$'000	Consolidated HK$'000
REVENUE			
External sales	178,700	156,997	335,697
RESULTS			
Segment results	12,833	5,251	18,084
Interest income			5,281
Unallocated corporate income			9,508
Unallocated corporate expenses			(32,652)
Share of profits of associates			18,009
Profit before taxation			18,230
TOTAL ASSETS			
Segment assets — trade receivables	27,788	51,406	79,194
Other assets			486,540
			565,734
OTHER INFORMATION			
Impairment losses on trade receivables recognised	1,462	723	2,185

Notes:

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

(ii) Other than trade receivables, all assets are not allocated to operating segments. Inventories could be sold to common customers of the operating segments, which cannot be allocated to respective segments on a reasonable basis. All liabilities are not allocated to operating segments, as the Group's trade payables represented payables to common suppliers of the operating segments, which cannot be allocated to respective segments on a reasonable basis.

5. Revenue and Segmental Information (Continued)

Revenue from major products

	2009 HK$'000	2008 HK$'000
Liquid coatings	170,401	203,400
Powder coatings	37,900	42,351
Solvents	61,628	89,946
	269,929	335,697

Information about major customers

During the years ended 31st December, 2009 and 2008, none of the customers contributed over 10% of total revenue of the Group.

Geographical information

The Group's operations are located in Hong Kong and the PRC. The Group's information about its non-current assets (other than deferred tax assets and financial instruments) by geographical location of the assets are detailed below:

	2009 HK$'000	2008 HK$'000
Hong Kong	7,027	8,015
The PRC	186,596	161,854
	193,623	169,869

6. Directors' And Employees' Emoluments

(a) *Directors' remuneration*

The emoluments paid or payable to directors were as follows:

	Wong Peng Chong HK$'000 (Note i)	Kong Muk Yin HK$'000 (Note i)	Lau Yau Cheung HK$'000 (Note ii)	Tsui Robert Che Kwong HK$'000 (Note iii)	Chung Tze Hien HK$'000 (Note iv)	Ng Seng Nam HK$'000 (Note iv)	Lau Siu Ki, Kevin HK$'000	Wu Wing Kit HK$'000	Chui Hong Sheung HK$'000	Total HK$'000
2009										
Fees	–	–	–	–	–	–	100	100	100	300
Other emoluments										
Salaries and other benefits	–	–	1,302	353	–	–	–	–	–	1,655
Retirement benefit scheme contribution	–	–	12	12	–	–	–	–	–	24
Total emoluments	–	–	1,314	365	–	–	100	100	100	1,979
2008										
Fees	–	–	–	–	–	–	100	100	100	300
Other emoluments										
Salaries and other benefits	–	–	1,298	389	–	–	–	–	–	1,687
Retirement benefit scheme contribution	–	–	12	12	–	–	–	–	–	24
Total emoluments	–	–	1,310	401	–	–	100	100	100	2,011

Notes:

(i) Appointed on 13th October, 2009 and resigned on 21st January, 2010
(ii) Resigned on 21st January, 2010
(iii) Resigned on 25th November, 2009
(iv) Resigned on 5th November, 2009

6. Directors' And Employees' Emoluments (Continued)

(b) *Employees' emoluments*

Of the five individuals with the highest emoluments in the Group, one (2008: two) was a director of the Company whose emolument is included above. The emoluments of the remaining four (2008: three) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	7,715	4,333
Retirement benefit scheme contribution	270	275
	7,985	4,608

Their emoluments were within the following bands:

	2009 Number of employees	2008 Number of employees
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	—	1
HK$4,500,001 to HK$5,000,000	1	—

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

7. Profit Before Taxation'

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 6)		
Fees	**300**	300
Other emoluments	**1,679**	1,711
Other employee benefits expense	**76,657**	87,269
Total employee benefits expense	**78,636**	89,280
Exchange loss, net	**14**	—
Impairment losses on trade receivables	**1,083**	2,185
Amortisation of prepaid lease payments	**340**	329
Auditor's remuneration	**660**	660
Cost of inventories recognised as an expense	**186,679**	291,419
Depreciation of property, plant and equipment	**10,790**	13,215
Loss on disposal of property, plant and equipment	**253**	230
Operating lease rentals in respect of rented premises	**1,159**	1,769
Share of taxation of associates (included in share of profits of associates)	**7,081**	4,502
and after crediting the below items, which are included in other income:		
Exchange gain, net	**—**	1,937
Management fee income (note 23)	**6,709**	6,474
Royalty fee income (note 23)	**5,997**	4,231
Interest income earned from:		
Advance to an associate (note 23)	**572**	1,092
Bank deposits	**352**	827
Loans receivable	**15,906**	3,362

8. Taxation

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	4,844	2,154
(Over)underprovision in prior year	(595)	133
	4,249	2,287
PRC Enterprise Income Tax:		
Current year	4,720	839
Underprovision in prior year	99	249
	4,819	1,088
Deferred tax (note 16):		
Current year	–	(56)
Attributable to a change in tax rate	–	7
	–	(49)
	9,068	3,326

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years. Three PRC subsidiaries continue to enjoy their tax holiday during the year.

The newly promulgated Enterprise Income Tax Law ("Tax Law") of the PRC is effective on 1st January, 2008. In February, 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the Tax Law and have an impact on certain of the Company's PRC subsidiaries. The Company has certain PRC subsidiaries which previously enjoyed the preferential tax policies in the form of a reduced tax rate. These subsidiaries will have five years from the time when the Tax Law takes effect to transition progressively to the legally prescribed tax rate of 25%. These PRC subsidiaries that previously enjoyed the 15% tax rate are subject to the 18% tax rate from 1st January, 2008 and 20% tax rate for the financial year 2009, and will be subject to 22% tax rate for the financial year 2010, 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012. For those PRC subsidiaries which previously enjoyed the 24% tax rate, they are subject to the 25% tax rate starting from 1st January, 2008.

8. Taxation (Continued)

In the previous years, the Inland Revenue Department issued additional assessment in aggregate of approximately HK$11,001,000 to an indirect wholly-owned subsidiary of the Company disallowing its offshore claims in respect of its production activities for years of assessment 2002/03, 2003/04, 2004/05 and 2005/06. The Group had purchased tax reserve certificates totalling HK$11,001,000 and an amount of HK$10,000,000 was recognised as income tax expense against such tax reserve certificates in the previous year and the remaining amount of tax reserve certificates of HK$1,001,000 (2008: HK$1,001,000) was included in tax recoverable as at the end of the reporting period. In the opinion of the directors of the Company, the ultimate outcome of the additional assessment remains undetermined and the Group will continue to defend vigorously against the additional assessment.

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

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**77,492**	18,230
Less: Share of profits of associates	**(42,051)**	(18,009)
	35,441	221
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 16.5%)	**5,848**	36
Tax effect of expenses not deductible for tax purpose	**1,419**	1,402
Tax effect of income not taxable for tax purpose	**(1,017)**	(260)
Tax effect of tax losses not recognised	**1,851**	1,496
Effect of change in tax rate	**—**	(7)
Effect of different tax rates of subsidiaries operating in the PRC	**1,463**	277
(Over)underprovision in respect of prior year	**(496)**	382
Taxation charge for the year	**9,068**	3,326

Details of deferred taxation are set out in note 16.

9. Dividends

	2009 HK$'000	2008 HK$'000
Dividends paid and recognised as distribution during the year:		
2007 Final — HK3 cents per ordinary share	–	9,000
2007 Special — HK3 cents per ordinary share	–	9,000
	–	18,000

No interim dividend for the current year was paid or proposed during 2009, nor has any final or special dividend been proposed since the date of the reporting period.

10. Earnings Per Share

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately HK$37,810,000 (2008: HK$4,376,000) and on the weighted average number of ordinary shares of 273,793,483 (2008: 300,000,000) in issue during the year.

No diluted earnings per share is presented as the Group did not have any potential ordinary shares in issue at any time during the year.

11. Property, Plant and Equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2008	60,595	14,534	25,619	9,693	30,132	220	140,793
Exchange adjustments	3,868	904	1,557	515	1,797	25	8,666
Additions	–	1,382	2,830	2,209	398	1,446	8,265
Transfer	–	862	149	–	67	(1,078)	–
Disposals	(188)	–	(501)	(1,035)	(127)	–	(1,851)
At 31st December, 2008	64,275	17,682	29,654	11,382	32,267	613	155,873
Exchange adjustments	89	26	41	14	49	2	221
Additions	–	49	322	811	272	2,006	3,460
Transfer	–	–	–	–	399	(399)	–
Disposals	(23)	(18)	(1,408)	(2,908)	(1,220)	–	(5,577)
At 31st December, 2009	64,341	17,739	28,609	9,299	31,767	2,222	153,977
DEPRECIATION							
At 1st January, 2008	13,495	9,552	14,630	5,575	13,872	–	57,124
Exchange adjustments	769	642	958	256	1,134	–	3,759
Provided for the year	2,994	2,699	3,972	1,291	2,259	–	13,215
Eliminated on disposals	(4)	–	(411)	(929)	(113)	–	(1,457)
At 31st December, 2008	17,254	12,893	19,149	6,193	17,152	–	72,641
Exchange adjustments	28	18	27	7	28	–	108
Provided for the year	3,061	1,074	2,947	1,440	2,268	–	10,790
Eliminated on disposals	(7)	(16)	(754)	(2,303)	(645)	–	(3,725)
At 31st December, 2009	20,336	13,969	21,369	5,337	18,803	–	79,814
CARRYING AMOUNTS							
At 31st December, 2009	44,005	3,770	7,240	3,962	12,964	2,222	74,163
At 31st December, 2008	47,021	4,789	10,505	5,189	15,115	613	83,232

Certain of the Group's owner-occupied leasehold land located in Hong Kong and the PRC is included in the above land and buildings as the allocation between the land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, and after taking into account their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease or 50 years
Leasehold improvements	4.5% — 20%
Furniture, fixtures and office equipment	18% — 20%
Motor vehicles	18% — 25%
Plant, machinery and equipment	4% — 18%

11. Property, Plant and Equipment (Continued)

The carrying values of leasehold land and buildings shown above comprise:

	2009 HK$'000	2008 HK$'000
Medium-term leases in Hong Kong	**5,537**	5,699
Medium-term leases in the PRC	**38,468**	41,322
	44,005	47,021

The Group has pledged certain land and buildings in Hong Kong with a carrying amount of approximately HK$2,195,000 (2008: HK$2,272,000) to secure general banking facilities of HK$10,000,000 (2008: HK$10,000,000) granted to the Group.

12. Prepaid Lease Payments

The Group's prepaid lease payments represent land use rights in the PRC held under medium-term lease, and are analysed for reporting purposes as follows:

	2009 HK$'000	2008 HK$'000
Non-current asset	**13,567**	13,885
Current asset	**340**	340
	13,907	14,225

13. Interests in Associates

	2009 HK$'000	2008 HK$'000
Unlisted investments, at cost	**178**	178
Share of post-acquisition translation reserve	**7,549**	7,459
Share of post-acquisition profits, net of dividends received	**98,166**	65,115
	105,893	72,752

13. Interests in Associates (Continued)

Details of the Group's associates, which are held by a non-wholly owned subsidiary of the Company, at 31st December, 2009 and 2008 are as follows:

Name of associate	Place of incorporation/ operations	Proportion of nominal value of issued ordinary shares held by the Group	Principal activity
Chemfield Trading Company Limited	Hong Kong	49%	Inactive
CMW Holding Limited	Hong Kong	45%	Investment holding

Name of subsidiaries of CMW Holding Limited	Place of incorporation or establishment/ operations	Proportion of nominal value of issued ordinary shares/ registered capital held by CMW Holding Limited	Principal activities
廣州卡秀堡萬輝塗料有限公司 CMW Coatings (Guangzhou) Limited	PRC	100%	Manufacturing and trading in paints and related products
無錫卡秀堡萬輝塗料有限公司 CMW Coatings (Wuxi) Limited	PRC	100%	Manufacturing and trading in paints and related products
CMW Coatings (Hong Kong) Limited	Hong Kong	100%	Trading in paints and related products

13. Interests in Associates (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	2009 **HK$'000**	2008 HK$'000
Total assets	**325,521**	258,526
Total liabilities	**(90,203)**	(96,855)
Net assets	**235,318**	161,671
Group's share of net assets of associates	**105,893**	72,752
Revenue	**477,109**	404,037
Profit for the year	**93,446**	40,021
Group's share of profits of associates for the year	**42,051**	18,009

14. Available-for-sale Investments

	2009 & 2008 HK$'000
Unlisted equity securities, at cost	10

The above unlisted investments represent investments in unlisted equity securities issued by a private entity incorporated in Hong Kong. The Group hold 5% equity interest of this private entity. They do not have a quoted market price in an active market and are stated at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be reliably measured.

15. Loans Receivable

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

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

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

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

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

16. Deferred Taxation

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

	Difference between tax allowance and depreciation	**Allowance for trade receivables**	**Total**
	HK$'000	HK$'000	HK$'000
At 1st January, 2008	(9)	123	114
Charge for the year	55	1	56
Effect of change in tax rate	1	(8)	(7)
At 31st December, 2008 and 2009	47	116	163

For the purpose of statement of financial position presentation, the above deferred tax assets and liabilities have been offset.

At 31st December, 2009, the Group had unused tax losses of approximately HK$20,285,000 (2008: HK$9,067,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$7,520,000 (2008: HK$5,862,000) that will expire in 2013. Other tax losses may be carried forward indefinitely.

The New Law imposes withholding tax upon the distribution of profits earned by the Company's PRC subsidiaries on or after 1st January, 2008 to their non-PRC shareholders. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Company's PRC subsidiaries amounting to approximately HK$14,537,000 (2008: HK$1,222,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

17. Inventories

	2009 HK$'000	2008 HK$'000
Raw materials	**14,755**	23,328
Work in progress	**3,615**	3,876
Finished goods	**3,202**	2,541
	21,572	29,745

18. Trade and Other Receivables

	2009 HK$'000	2008 HK$'000
Trade receivables from third parties	**64,441**	68,753
Trade receivables from associates	**5,957**	10,441
Interest receivables on loans receivable	**5,534**	1,380
Amount due from a company owned by former director of the Company	**2,399**	—
Other receivables	**4,592**	4,022
	82,923	84,596

The Group allows an average credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting periods:

	Trade receivables from third parties		**Trade receivables from associates**	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
0 — 30 days	**21,313**	18,659	**4,885**	1,984
31 — 60 days	**19,690**	19,694	**1,072**	2,903
61 — 90 days	**12,940**	15,877	**—**	2,704
Over 90 days	**10,498**	14,523	**—**	2,850
	64,441	68,753	**5,957**	10,441

18. Trade and Other Receivables (Continued)

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good track records with the Group.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$16,053,000 (2008: HK$21,624,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss, as there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

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

	2009 HK$'000	2008 HK$'000
61-90 days	11,184	4,251
91-120 days	4,869	9,830
121-150 days	—	7,543
	16,053	21,624

No interest is charged on the trade receivables. The Group has provided fully for all trade receivables over 360 days because historical experience is such that trade receivables that are past due beyond 360 days are generally not recoverable. Trade receivables between 60 days and 360 days have been provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$3,855,000 (2008: HK$4,555,000) that are considered irrecoverable by management after consideration on the credit quality of those individual customers, the ongoing relationship with the Group and the ageing of these receivables. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts is as follows:

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	4,555	2,980
Impairment losses recognised	1,083	2,185
Amounts written off as uncollectible	(1,783)	(610)
Balance at the end of the year	3,855	4,555

19. Advance to an Associate and Dividend Receivable from an Associate

The amounts were owed by CMW Holding Limited. The advance was unsecured, bore interest at Hong Kong Prime Rate plus 1% per annum and was fully repaid during the year.

20. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at prevailing market rate of 0.21% (2008: 1%) per annum.

21. Trade and Other Payables

	2009	2008
	HK$'000	HK$'000
Trade payables to third parties	**19,824**	13,586
Trade payable to an associate	**658**	35
Other payables	**17,814**	15,818
	38,296	29,439

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

	Trade payables to third parties		**Trade payable to an associate**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
0 — 30 days	**18,353**	4,282	**658**	35
31 — 60 days	**1,177**	8,264	**—**	—
61 — 90 days	**244**	1,040	**—**	—
Over 90 days	**50**	—	**—**	—
	19,824	13,586	**658**	35

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

22. Share Capital

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each:		
Authorised:		
At 31st December, 2008 and 31st December, 2009	1,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2008 and 31st December, 2008	300,000,000	30,000
Share repurchased and cancelled	(27,140,000)	(2,714)
At 31st December, 2009	272,860,000	27,286

During the current year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.1 each	Price per shares		Aggregate consideration paid
		Highest	Lowest	
January 2009	27,140,000	0.85	0.84	23,154,000

The above shares were cancelled upon repurchase.

23. Related Party Transactions

During the year, the Group had the following transactions with its associates other than as disclosed in notes 18, 19 and 21.

Relationship	Nature of transactions	2009 HK$'000	2008 HK$'000
Associates	Sales of goods by the Group	**28,415**	45,131
	Management fee income earned by the Group	**6,709**	6,474
	Purchase of goods by the Group	**7,291**	14,296
	Royalty fee income earned by the Group	**5,997**	4,231
	Interest income earned by the Group	**572**	1,092
	Dividend received by the Group	**9,000**	4,500

23. Related Party Transactions (Continued)

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

	2009 HK$'000	2008 HK$'000
Short-term benefits	9,207	6,320
Post-employment benefits	285	299
	9,492	6,619

24. Non-cash Transaction

During the year ended 31st December, 2008, part of loans receivable amounting to HK$100,000,000 was transferred from refundable deposit for acquisition of Winfame as stated in note 15.

25. Statement of Financial Position of the Company

Details of the statement of financial position of the Company as at the end of the reporting period are as follows:

	Notes	2009 HK$'000	2008 HK$'000
Assets and liabilities			
Investments in subsidiaries		60,766	60,766
Amounts due from subsidiaries	(a)	187,805	195,959
Deposits and prepayments		121	—
Bank balances		42,242	62,520
		290,934	319,245
Amount due to a subsidiary		(77)	—
Accruals		(2,060)	(689)
		288,797	318,556
Capital and reserves			
Share capital		27,286	30,000
Reserves	(b)	261,511	288,556
		288,797	318,556

25. Statement of Financial Position of the Company (Continued)

Notes:

(a) The amounts are unsecured, interest-free and expected to realise in the next twelve months from the end of the reporting period.

(b) Details of changes in reserves of the Company are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2008	121,293	119,071	64,517	304,881
Profit for the year	—	—	1,675	1,675
Dividends	—	—	(18,000)	(18,000)
At 31st December, 2008	121,293	119,071	48,192	288,556
Loss for the year	—	—	(6,605)	(6,605)
Shares repurchased and cancelled	(20,440)	—	—	(20,440)
At 31st December, 2009	100,853	119,071	41,587	261,511

(c) At 31st December, 2009, the Company had given guarantees to banks in respect of credit facilities granted to subsidiaries to the extent of HK$10,000,000 (2008: HK$19,000,000).

26. Capital Commitments

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the consolidated financial statements	**1,488**	1,023

27. Operating Lease Commitments

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

	2009	2008
	HK$'000	HK$'000
Within one year	**418**	891
In the second to fifth year inclusive	**–**	80
	418	971

Leases are negotiated and monthly rentals are fixed for term of two years (2008: two years).

28. Retirement Benefits Schemes

The Group participates in defined contribution schemes which are registered under the ORSO Scheme and the MPF Scheme established under the MPF Ordinance in December 2000. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employee. The maximum monthly contribution by the Group is limited to HK$1,000 per employee.

The ORSO Scheme is funded by monthly contributions by the Group at 7% of the employee's basic salary.

There are no forfeited contributions for both years which arose upon employees leaving the ORSO Scheme and which was available to reduce the contributions payable in future years.

Employees in the Company's PRC subsidiaries are required to participate in a defined contribution retirement scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 10% of the employee payroll to such scheme to fund the retirement benefits of the employees.

The pension scheme contributions for the directors and employees, which have been dealt with in the consolidated statement of comprehensive income for the year, is HK$4,075,000 (2008: HK$5,123,000). No forfeited contributions have been applied to reduce the retirement benefits scheme contribution for both years.

29. 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 years.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an on-going annual basis. As part of this review, the directors consider the cost of capital and the risks associated 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 and share repurchase as well as the issue of new debt.

30. Financial Instruments

(a) Categories of financial instruments

	2009 **HK$'000**	2008 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**403,932**	361,074
Available-for-sale investments	**10**	10
Financial liabilities		
Amortised cost	**23,133**	16,740

(b) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, advance to an associate, trade and other receivables, dividend receivable from an associate, bank balances and trade and other payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

30. Financial Instruments (Continued)

(b) *Financial risk management objectives and policies (Continued)*

(i) Market risk

Currency risk

Several subsidiaries of the Company have foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the relevant group entities' foreign currency denominated monetary liabilities are as follows:

	2009	2008
	HK$'000	HK$'000
United States dollars ("USD")	**–**	5

As HK$ is pegged with USD, the Group's currency risk in relation to the above monetary liabilities is expected to be minimal.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans receivable carrying fixed-rate interest. The Group is also exposed to cash flow interest rate risk in relation to the Group's advance to an associate and bank balances carrying variable-rate interest.

Sensitivity analysis

As at 31st December, 2009, the Group is exposed to variable interest rate for its bank balance. The directors do not expect there will be a significant interest rate adjustment in bank deposits, hence no sensitivity analysis is prepared at the end of the reporting period.

The sensitivity analysis as at 31st December, 2008 has been determined based on the exposure to variable interest rates for advance to an associate and bank balances. The analysis is prepared assuming the financial instruments outstanding at 31st December, 2008 were outstanding for the whole year. A 50 basis points increase or decrease was 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 profit for the year ended 31st December, 2008 would increase/decrease by approximately HK$122,000.

30. Financial Instruments (Continued)

(b) *Financial risk management objectives and policies (Continued)*

(ii) Credit risk

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

In order to manage its credit risk, 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. Credit sales of products are only made to customers with good repayment history. In addition, the Group reviews the recoverable amount of individual debt on an on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. Impairment loss of HK$1,083,000 (2008: HK$2,185,000) in respect of the trade receivables was recognised by the Group for the year.

The credit risk on liquid funds of the Group is limited because the counterparties are banks with good reputation.

As at 31st December, 2009, the Group had concentration of credit risk on its trade receivables as approximately 8% (2008: 13%) of trade receivables is due from associates. The Group has concentration of credit risk on its loans receivable of HK$159,055,000 (2008: HK$159,055,000) and interest receivable of HK$5,534,000 (2008: HK$1,369,000), which is due from a single counterparty, Winfame. As at 31st December, 2008, the Group also made an advance to an associate of HK$10,000,000 which was fully repaid during the year.

30. Financial Instruments (Continued)

(b) *Financial risk management objectives and policies (Continued)*

(iii) Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 31st December, 2009, the Group had available unutilised overdraft facilities of approximately HK$10,000,000 (2008: HK$19,000,000).

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 month HK$'000	**1-3 months** HK$'000	**3-6 months** HK$'000	**Total undiscounted cash flow and carrying amount** HK$'000
2009				
Non-derivative financial liability				
Trade and other payables	**4,953**	**17,115**	**1,065**	**23,133**
2008				
Non-derivative financial liability				
Trade and other payables	4,194	8,264	4,282	16,740

(c) *Fair value*

The fair values of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions. 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.

31. Event after the Reporting Period

On 18th February, 2010, Guangzhou Springfield Chemical Company Limited ("Springfield"), a non-wholly owned subsidiary, entered into a sale and purchase agreement ("S&P Agreement") with Zengcheng City Fuheyuan Farm Limited 增城市福和園農莊有限公司 ("City Fuheyuan"), a company incorporated in the PRC and indirectly owned by Mr. Yuen Shu Wah ("Mr. Yuen"). Pursuant to the S&P Agreement, Springfield has agreed to purchase and City Fuheyuan has agreed to sell a property situated in the PRC for a consideration of RMB18,000,000 (approximately HK$20,451,000). Mr. Yuen is a former director of the Company and existing director of certain non-wholly owned subsidiaries of the Company. This transaction constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The transaction is not completed as at the date of this report.

32. Subsidiaries

Details of the Company's subsidiaries at 31st December, 2009 and 31st December, 2008 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/paid up registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2009	2008	2009	2008	
Rookwood Investments Limited	BVI/ Hong Kong	US$10,000 Ordinary shares	51%	51%	–	–	Investment holding
Upflow Limited	Hong Kong	HK$1 Ordinary share	100%	100%	–	–	Provision of management services
Smart Million Limited	BVI/ Hong Kong	US$1 Ordinary share	100%	100%	–	–	Investment holding
Victoryline Limited	BVI	US$1 Ordinary share	100%	100%	–	–	Inactive
Manfield Coatings Company Limited	Hong Kong	HK$1,000 Ordinary shares HK$32,000,000 Non-voting class A shares (note i)	–	–	51%	51%	Investment holding and trading in paints and related products
Manfield Chemical Limited	Hong Kong	HK$10,000 Ordinary shares	–	–	51%	51%	Investment holding

32. Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued share capital/paid up registered capital	Attributable equity interest held by the Company Directly 2009	Directly 2008	Indirectly 2009	Indirectly 2008	Principal activities
Springfield Chemical Company Limited	Hong Kong	HK$1 Ordinary shares	–	–	51%	–	Investment holding
深圳松輝化工有限公司 Shenzhen Pinefield Chemical Enterprises Co, Ltd	PRC (note ii)	US$5,500,000 Paid-up registered capital	–	–	51%	51%	Manufacture of paints and trading in petrochemical and related products
廣州市彩輝化工有限公司 Champion Chemical (Guangzhou) Company Limited	PRC (note ii)	HK$3,000,000 Paid-up registered capital	–	–	51%	51%	Manufacture of paints and trading in petrochemical and related products
常州萬輝化工有限公司 Manfield Chemical (Changzhou) Limited	PRC (note ii)	HK$42,003,816 (2008: HK$33,600,000) Paid-up registered capital	–	–	41% (note iii)	41%	Manufacture of paints and trading in petrochemical and related products
常州萬輝運輸有限公司 Changzhou Manfield Transportation Limited	PRC (note ii)	RMB1,500,000 Paid-up registered capital	–	–	51%	51%	Provision of transportation services
廣州源輝化工有限公司 Springfield Chemical (Guangzhou) Co. Ltd.	PRC (note ii)	HK$13,614,000 Paid-up registered capital (2008: Not yet incorporated)	–	–	51%	–	Properties holding

Notes:

(i) The non-voting class A shares practically carry no rights to dividends, no rights to attend or vote at general meetings and no rights to receive any surplus assets in a return of capital in a winding-up.

(ii) The companies are registered in the form of wholly foreign owned enterprises.

(iii) 80% equity interest of the company is indirectly held by Rookwood Investments Limited.

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

FINANCIAL SUMMARY

	Year ended 31st December,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Revenue	349,637	279,133	317,066	335,697	**269,929**
Profit from operations	45,610	24,559	12,952	221	**35,441**
Interest expense	(12)	(2)	—	—	**—**
Share of profits of associates	11,591	17,451	16,612	18,009	**42,051**
Loss on partial disposal of subsidiary	—	—	—	(2,991)	**—**
Profit before taxation	57,189	42,008	26,573	18,230	**77,492**
Taxation	(5,628)	(13,042)	(3,347)	(3,326)	**(9,068)**
Profit for the year	51,561	28,966	23,226	14,904	**68,424**
Attributable to:					
Owners of the Company	51,561	28,966	24,535	4,376	**37,810**
Minority interests	—	—	(1,309)	10,528	**30,614**
	51,561	28,966	23,226	14,904	**68,424**

	At 31st December,				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	300,391	309,484	590,179	565,734	**623,636**
Total liabilities	(37,191)	(40,874)	(56,438)	(29,439)	**(41,776)**
Shareholders' funds	263,200	268,610	533,741	536,295	**581,860**
Equity attributable to:					
Owners of the Company	263,200	268,610	400,227	391,168	**405,970**
Minority interests	—	—	133,514	145,127	**175,890**
	263,200	268,610	533,741	536,295	**581,860**